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ROYAL COMMISSION
ON
TRANSPORTATION

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THE ROYAL COMMISSION ON TRANSPORTATION

(Vancouver, June 29)

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ROYAL COMMISSION ON TRANSPORTATION

Vancouver, B.C.
Wednesday, June 29, 1949

THE HONOURABLE W.F.A.TURGEON, K.C.LL.D. - CHAIRMAN,

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

[illegible]

THE CHAIRMAN: Yes, Mr. Brazier.

MR. BRAZIER: Mr. Chairman, before we proceed with the witness, I would like to say that I have received a copy of Mr. Anscomb's 1949 budget speech which was filed as exhibit 35 yesterday, and also the 1948 report of the Department of Trade and Industry of the province of British Columbia, which was filed yesterday as exhibit 36.

THE CHAIRMAN: Yes, Mr. Covert?

MR. COVERT: Mr. Chairman, we were dealing with the British Columbia Fruit Growers Association, and I think we adjourned just at the time I was asking a few questions of Mr. Ewer. H. B. EWER - Recalled. Examined by Mr. Covert

MR. COVERT: Q. Mr. Ewer, I think you would be of the opinion that all of the three main apple markets should be treated on the same basis, as far as freight rates are concerned. Is that your position? And when I refer to the "three", I refer to the Annapolis Valley. I put that first, for Mr. Sinclair's benefit; and the Okanagan Valley, and the Niagara Peninsula?

A. It would seem to follow that some similarity of treatment was to be expected.

Q. Yes; and would you take the position that each part of Canada must suffer from its economic and geographic disadvantages; and, likewise, if they had any advantages, they are entitled to those, and that in neither case the freight rates should affect them or increase those disadvantages?

A. If they were left in their own individual position, both ways, I do not think any district could have much complaint.

Q. Now, at page 4 of your brief you set out certain rates over a period of years. I think I understood you to say that there had been special rates put in, perhaps, between the years 1915 and 1948; that there were rates applicable, perhaps to apples; and there were rates negotiated between the shippers and the railways which were below those rates which are listed there; or perhaps, it was between 1922 and 1948?

A. In the depression 30's, the carriers conceded the Okanagan valley certain assistance in the matter of freight rates on traffic in **western** Canada.

Q. Do you know if that was generally so in the three regions?

A. I do not know, but I would assume not, because the other two regions are slightly differently situated with regard to reaching their markets.

Q. How was that rate effected? Was it just negotiated between the railways and the producers?

A. You mean: how else?

Q. Pardon? Alternatively, how else? I wonder if you meant it was by application to the Board?

A. No, not to the Board.

Q. Then it was done how?

A. By direct representations by representatives of the growers to the carriers.

Q. Have you those comparative rates so that we could complete this table which is on page 4?

A. The reason they are not in the table is: there were temporary emergency rates made effective from season to season as necessity arose; and, as you perhaps know,

by the frozen/Wartime Prices and Trade Board in subsequent years. Briefly, it was a 10 per cent reduction of the normal charge with a maximum of 13 cents.

Q. I see. Now, did it just apply to apples?

A. Just to apples and pears, the apple and pear phase of the fruit industry being the basic, or backbone commodities involved.

Q. Now, at the bottom of page 4 you use the phrase: "... these products have borne and still bear a disproportionate share of the national transportation bill...."

I realize that you were questioned on that yesterday but there remains one point I would like to make clear, "disproportionate share"; are you comparing it to any particular commodity?

A. No. Generally speaking, in the over-all picture, as I think it was developed in the examination yesterday, we feel that these commodities are, perhaps, rated a little higher than comparable commodities, or even commodities which are not comparable.

Q. I wonder if it would not show that was so if you showed the percentage of the market value of the product and the rate that you pay?

A. No, I do not think so. With all due respect to that suggestion, market values are subject to a number of factors to which the rate structure is not subject. Therefore, to take a percentage of our value, the percentage relationship of the freight rate to the value might not reflect the position.

Q. What I was wondering was, for instance, a lot of briefs are submitted which show the freight as a percentage of the market price. And they say here: We pay 25 of the

HH

market price in freight. Now, if the fruit industry paid a percentage like that, or higher, I think that, perhaps, would show that it was a disproportion. Is that what you mean by disproportion, or is there some other method you have of calculating it?

A. No. I think it has to be limited, as we endeavored to develop in the brief. At the moment, I have not the figures before me which would enable me to enlarge on that expression.

Q. Perhaps you would like to file them with the Commission, if that is the way you figure disproportion?

A. We will endeavor to support disproportion.

Q. I think it is in the same paragraph that you say that freight rates are excessive when measured by rates on other classes of railway traffic. I wondered if you had anything in particular in mind there?

A. We could furnish, I believe, some particulars, Mr. Covert.

Q. I think that would be useful. The statement is there, and if there be something to support it, it would be helpful.

COMMISSIONER ANGUS. Q. Has this point ever been discussed with the Board of Transport Commissioners, I mean the question of disproportionment?

A. No, not so far as I recall.

MR. COVERT: Q. And then at the top of page 5, you deal with the perishability factors. I realize you were examined on that at some length; but one question occurs to me: Do you think it is a fair question to ask? The railways, of course, have spent considerable money in improving their



facilities to eliminate the perishability factor to some extent; so do you think that the amount which the farmers have spent on cold storage -- is that the main factor with respect to perishability?

A. In the sense in which the term is used here, in fairness to the farmer, I think I would have to claim that it was packing house operations and cold storage facilities and so on, that the product as tendered to the carrier is a superior product to what it may have been --

Q. And less perishable?

A. Less perishable from a transit standpoint.

Q.Now, on the business of classification, are you suggesting any particular classification?

A. No, Mr. Covert. We direct attention to that point.

Q. You just say they should have revised?

A. The Commission has at its disposal expert opinion; and it has its own traffic officer; and if the Commission considers the point to be worthy of examination, I take it that they can pursue the suggestion.

Q. And the same applies when you say the rates should be revised? Is that correct?

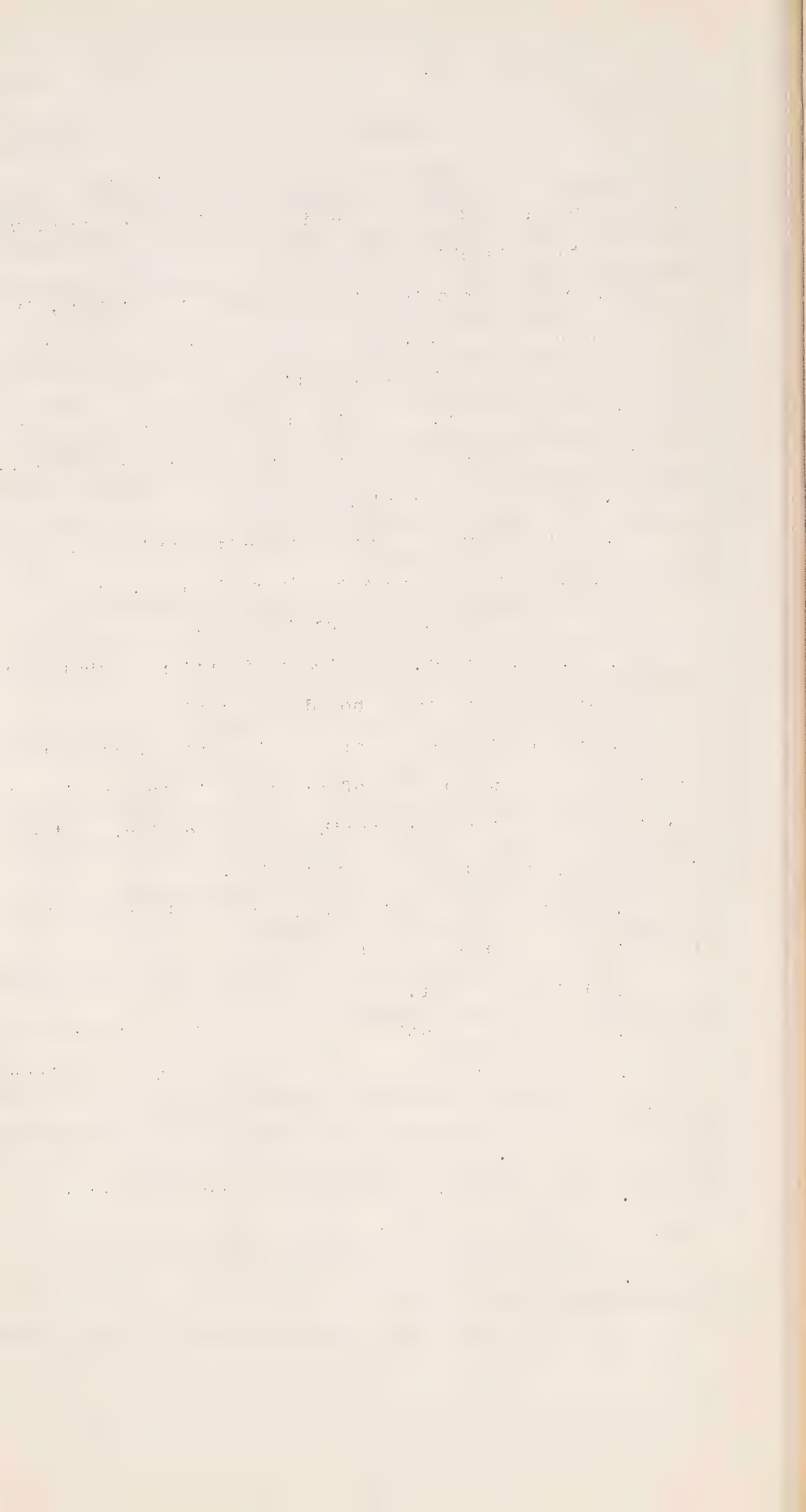
A. That is correct.

Q. And on the question of accessorial service also on page 5, have you any figures you could file with the Board showing the difference in the east and the west?

A. Yes, sir.

Q. Would you leave those figures with Mr.Brazier so that they could be filed?

A. They will have to be compiled after I return to the



office. I have not got them with me.

MR. EVANS: I hope you will put in everything, whether ^{or not} it be the ones he is complaining about. It will be helpful if you put all of them in, Mr. Covert.

MR. COVERT: As a matter of fact, what I had in mind was: Where he just showed there were differences in the charges. That is what I wanted. Now, your suggestion is that he put in what?

MR. EVANS: If the figures are unfavorable ones, I think they should be put in as well.

THE WITNESS: To the extent that my tariff files enable me to do so, I shall give you both.

ND

MR. COVERT: Q. Thank you very much, Mr. Ewer. Were you asked, Mr. Ewer, who this authoritative student was who made that statement, that every traffic carrier could be compelled to bear the whole out-of-pocket ---

A. I was not asked; I think perhaps they knew.

Q. I thought perhaps that would be on the record.

A. Well, have you not got his name?

Q. No, I have not.

A. He was an honoured guest, I think, at one of the luncheons here in Vancouver; that was where I picked up his name from. I think I have it here: Professor McDougall, of Queens University, Kingston, was who I was quoting.

MR. FRAWLEY: Q. Is that * Professor J. L. McDougall?

A. There was probably only one out here, Mr. Frawley; if it was J.L., that would be who it would be.

MR. COVERT: Q. I see you subscribe wholeheartedly to that dictum, and I think you generally agree with the principle that there should be a floor in freight rates, so that that floor must at least bear the cost of operations; now, you have not carried your thoughts so far as to price the cost of each item carried, have you?

A. No.

Q. You do not really go into this cost-of-service theory to the extent that ---

A. No. The over-all presentation, Mr. Covert, is that there should be some limit beyond which any form of transportation cannot go in meeting competition. If it is going to go down to the point where it is not getting back at least its normal costs, then of necessity other traffic must be picking up the slack; that is our point.

. Then in the same paragraph you say:

"If subsidization be nationally necessary and advantageous, it should be supported by the nation from federal revenues and not by the imposition of higher rates on the commerce of the people of British Columbia and Western Canada."

Then you take the Maritime Freight Rates Act and the Feed Grains Freight Assistance Order, and you say:

"(They) exemplify this policy, and imply a recognition by the Federal Authority that the transportation burden is unequally distributed and can be insupportable as to certain areas and products."

Now, do you think that that principle perhaps should be applied to fruit growers, that if necessary lower rates below that should be given, and subsidized?

A. If these are recognized as appropriate means of meeting transportation difficulties in one area, then it is not unfair to assume or suggest that perhaps that is the means that should be adopted to equalize some of these other inequalities of which western Canada complains.

Q. Would you care to give an expression of opinion as to whether matters of that kind should be in the hands of the B.T.C. or in the hands of Government?

A. Well, we end up by down there summarizing that we think that rates should not be made by legislative authority, should be made, as it were, under the guidance or supervision of the Board of Transport Commissioners.

Q. And the question of whether or not a subsidy should be granted you would say should be left in the hands of whom?

A. Well, it should certainly be the outcome of a study by the Board of Transport Commissioners rather than by a parliamentary body.

Q. And recommendations made by them perhaps to the Government?

A. They would then have to be made to the Government if it is going to be a subsidization.

Q. Now, there is one point I wanted to find out -- if you had any knowledge of the truck competition in British Columbia generally, or say particularly in the Okanagan Valley?

A. I have some knowledge, yes.

Q. Well, is there any extensive truck competition in the Okanagan Valley, that is, for the railways?

A. Oh, I would say yes; I think the answer is yes.

Q. Would that be for the Vancouver market?

A. No; it is more internal.

Q. More internal?

A. Within the valley.

COMMISSIONER ANGUS: Q. Do you expect the Hope-Princeton Road to make a difference?

A. That is pretty hard to say, Mr. Chairman, just what effect the Hope-Princeton road will have on the transportation of fruit and vegetables.

MR. COVERT: Q. Have you any idea as to the percentage of the products in the Okanagan that are carried by rail and by truck?

A. No, I have no figures on percentage. The two forms of transportation are availed of in so far as the shipping organizations are concerned, as may be most suitable in either case. We move a lot of stuff by car up and down the valley, and we move a lot of stuff by truck.

Q. Do you think that the competition, such as it is, has been effective to reduce the railway freight rates

A. No; the railway rates were, as you might say, the senior rates, and they have pretty well set the pattern.

Q. Now, prior to the war, when you had the United Kingdom market, how did your apples go? Did they go by ship via the Panama Canal, or did they go by way of across Canada?

A. Both ways, Mr. Covert.

Q. Both ways

A. Yes.

Q. Have you any figures about the percentage travelling each method?

A. I think perhaps I have some here that may include that detail. For the year 1947, of approximately 540,000 boxes moved offshore, 200,000 moved out of Pacific ports, which would be Vancouver-New Westminster. In 1946, for example, we have 2,850,000 roughly, of which 1,200,000-odd moved out of Pacific ports.

Q. Then somewhere in the vicinity of about 40 per cent would be going by ship; is that correct

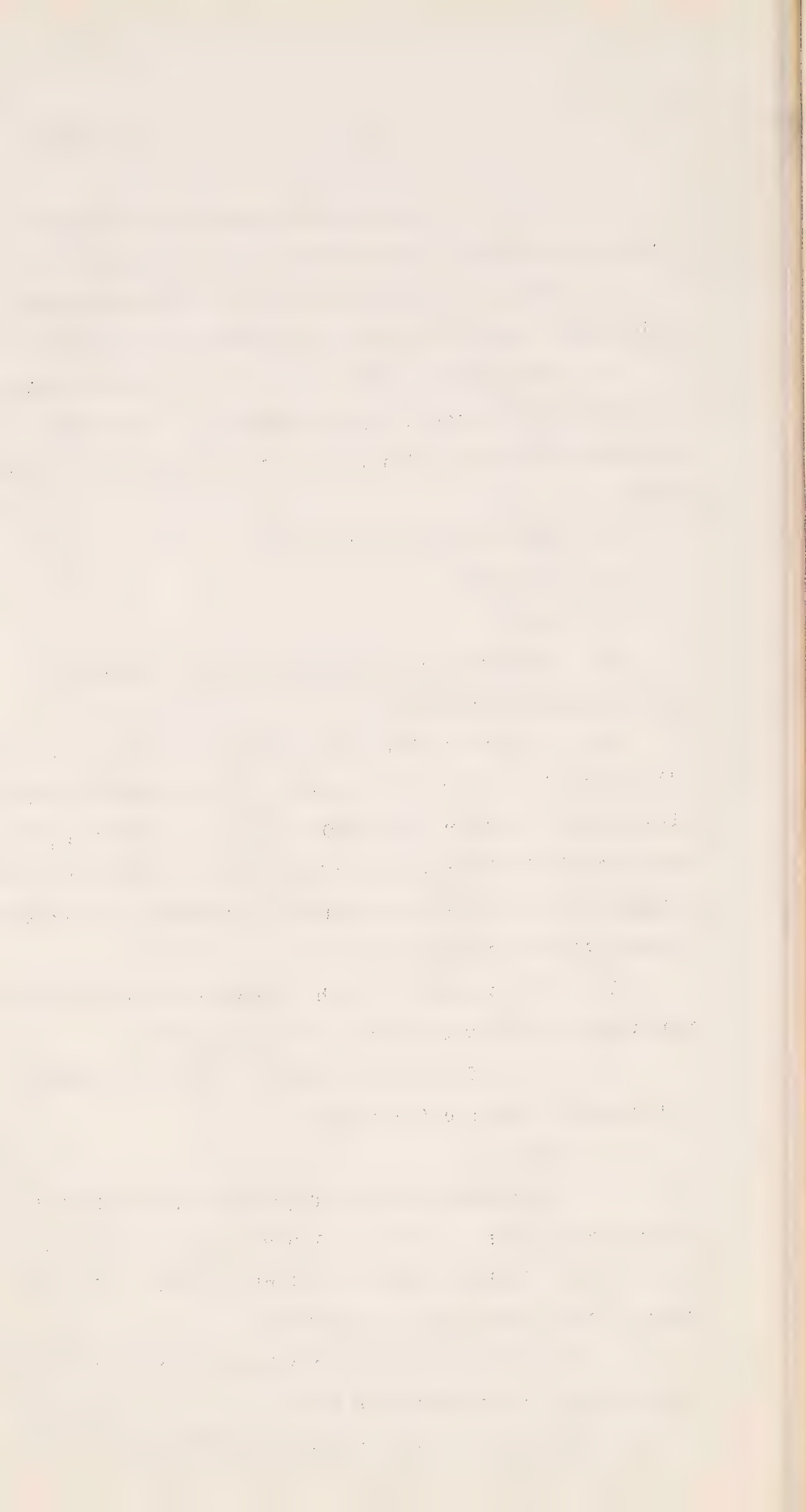
A. Well, of course, offshore -- you say by ship; you mean via the Pacific ports

A. Yes.

A. Unfortunately these figures do not go back to the pre-war years. The last I have, 1939, there was more via the Pacific than via Atlantic ports. That of course is not just the U.K. market.

Q. You could not tell from that, from your figures there, where the product was going

A. Yes -- not as to break-down between ports; as



between routes, this statement that I am reading from.

Q. Could you tell, for instance, what portion was going through the Panama Canal?

A. No.

Q. Are you in a position to answer a question as to whether or not you think the Panama Canal does provide effective competition to keep the transcontinental rate down?

A. In so far as our experience goes, I think that it has not been altogether a question of cost of transportation. The movement of fruit via the Pacific and the Panama Canal to the United Kingdom, for example, has considerations which are, if anything, outweighed, whether the cost were comparable or otherwise.

Q. Would you mind just telling what those considerations are?

A. Well, when you travel overland you have eight or nine days' rail haul and the transfer to ship, whereas when you travel via the west coast you have a thirty-six hour or forty-eight hour haul, say to Vancouver or New Westminster, and the product is immediately placed under refrigeration. To that extent it is much more advantageous to the carrying of the product than the Atlantic coast route, transcontinental route, let us say.

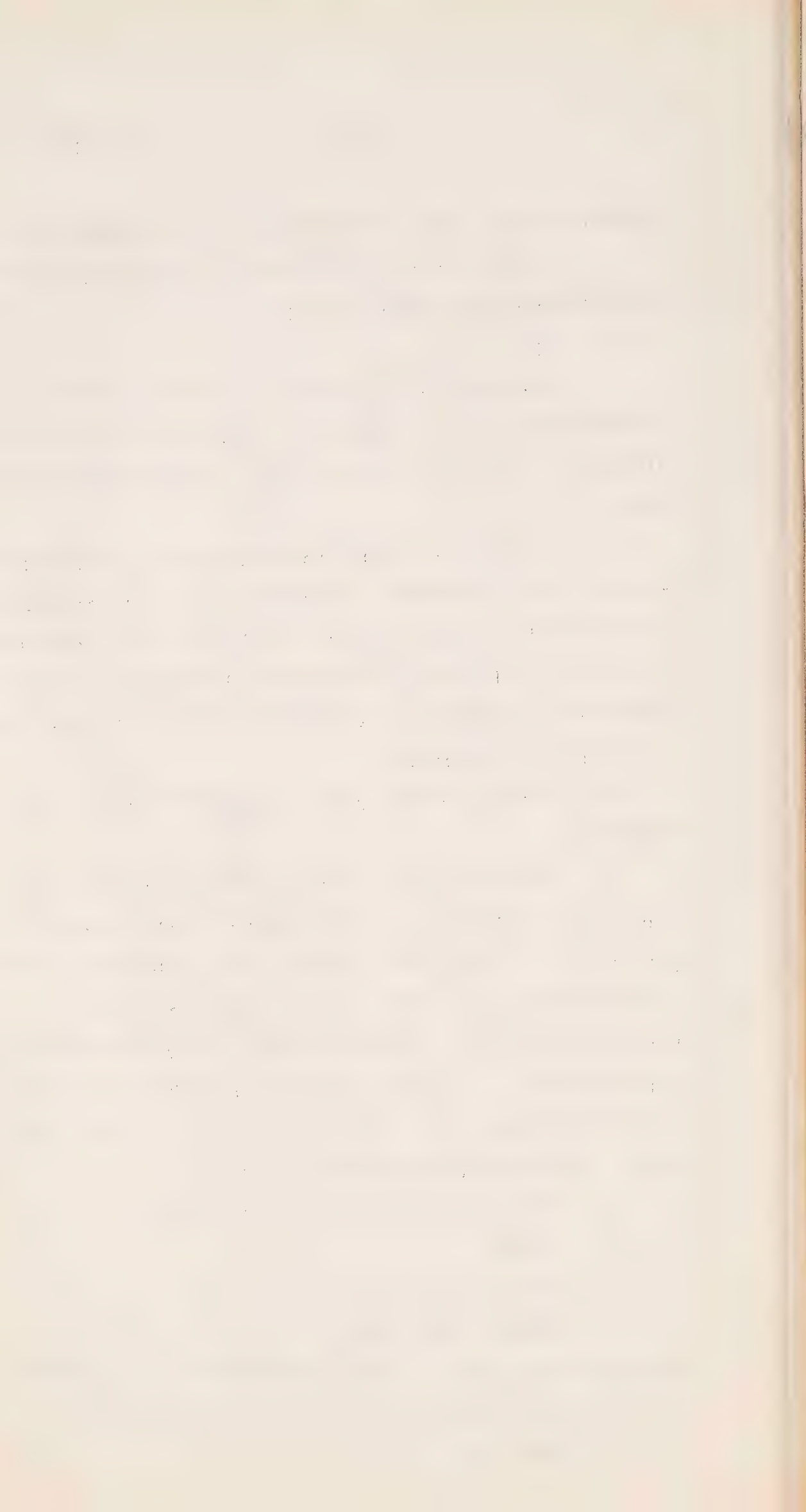
Q. That is, it is easier on the product?

A. Correct.

Q. That is all, thank you.

COMMISSIONER INNIS: Q. There is one point which I would like to raise, Mr. Ewer, before you leave. Your organization handles all shipments to all points?

A. Yes, sir.



Q. The returns on various shipments are, shall I say, pooled by you?

A. Right.

Q. That is to say, if you get returns from the Ontario market or from the British market the shipper does not get the advantage of that particular market?

A. No, they are pooled.

Q. Do the returns vary greatly as between the markets?

A. As to equivalent grades and sizes, not a great deal to-day. Pre-war there would be quite a variation, because the British market, while it supported the cost of getting there and as a rule something net, it did not always reflect quite the same return that the domestic market showed.

Q. You would not go so far as to say that your organization in carrying out these pooling operations, in a sense was working with the railroads, who are also engaged in pooling operations as to a particular market -- that is to say, railways which are concerned with seeing that you get into the Ontario market and seeing that Nova Scotia gets into the Ontario market, and so, I suppose, carry on similar working arrangements, just as you do in your handling of shipments

A. I don't know that I just follow you, Mr. Innis. I think you said something of co-operating with the railway in the matter of pooling.

Q. Well, I am thinking that the railways are concerned in a large market such as Ontario to see that goods get into that market from various competing areas, whether it is Nova Scotia or British Columbia, and I

presume the rates are adjusted to that extent. Now, that means an attempt, or it means the use of the railways if you like as a sort of marketing agent, and it implies to that extent they are working along similar lines to yourself, seeing that you get into the Ontario market?

(Page 2916 follows)

A The carrier, of course, must provide charges which will enable the shipper to reach a market in which he can make a worthwhile distribution.

Q I was wondering if it could be put this way, that in a sense your organization in pooling its revenue shares with the railway the cost of getting into the larger markets, using the Ontario market as an illustration.

A I never quite looked at that in the light of sharing with them.

MR. COVERT: The next submission is that of the British Columbia Paper Manufacturers and Converters.

G. R. BOLTON, Called

EXAMINED BY MR. BRAZIER:

Q Mr. Bolton, what is your position?

A I am Traffic Manager of Pacific Mills Limited.

Q And you are presenting this brief on behalf of Pacific Mills Limited, Canadian Boxes Limited, Westminster Paper Co. Ltd., Bartram Paper Products Co. Ltd., Bonar & Bemis Limited, Sidney Roofing and Paper Co. Ltd., and National Paper Box Limited.

A That is right, sir.

Q Would you proceed to read the brief into the record?

A Mr. Chairman and Commissioners: We wish to express our appreciation for the opportunity of presenting this Brief to this Royal Commission, outlining our position under the existing Canadian Freight Rates Structure. This submission is made with a view to outlining British Columbia's position in the Canadian Freight Rate Structure

and is not meant to convey a complaint by the above firms for any mistreatment or discrimination in their particular competitive territories.

In order that we may establish ourselves as substantial payees of freight, or buyers of transportation, we list below the tonnages shipped by the individual firms for the past year.

All of this tonnage accrued transportation charges of one kind or another, and we might mention that the largest firm we represent had a transportation account amounting to well over one and one-half million dollars.

Canadian Mills, Limited	153,913 tons
Canadian Boxes Limited	2,790
Westminster Paper Co. Ltd	15,011
Bartram Paper Products Co. Ltd	1,666
Bonar & Bemis Limited	*
Sidney Roofing and Paper Co. Ltd.	57,315
National Paper Box Limited	180

* Unfortunately this firm's tonnages for the past year have as yet not been compiled.

As buyers of transportation within Canada, we feel that there is something radically wrong with the transportation principles of Canada, and as this Royal Commission has been instructed by Order in Council to investigate and report on all parts of Canada that are adversely affected by this transportation structure, we can, at this time, and before this body, bring up all matters that we consider pertinent to the question. Even with the removal of the famous "Mountain Differential", we, in the western portion of this country, will continue to pay the highest scale of rates in rail transportation.

We feel this is the opportunity to bring before you a plea for a standard scale of rail freight rates throughout the entire Dominion.

We realize, as buyers of transportation, that the carrying companies must have sufficient revenue to operate a sound business and that failing this, we would be lacking in the services that we demand. It is not contended that the Dominion should not exercise its powers to raise or lower rates, or to fix different rates for different commodities, or for different distances, but we do contend that in so far as railways are trans-continental or national in character, all parts of Canada are entitled to an absolute equality of treatment.

We, as Canadian businessmen, cannot understand the reasons behind the inequalities of this subject, when we take into consideration the twenty (20%) per cent subsidy granted on traffic moving out of the Maritime Provinces (which now includes the newly formed Province of Newfoundland), this territory which is the Eastern portion of our country, while in the western extremity the same Canadian people are compelled to pay the highest scale of rates.

We submit, herewith, for your consideration, a comparison between the newly formed Province of Newfoundland which joined Confederation in the year 1949, as against our Vancouver Island which joined Confederation with British Columbia in the year 1871.

I do not think it is necessary to go through the next section in its entirety. We have taken the geographical features, population, the economy, fishing, forestry,

agriculture and mining, and we have even compared railway mileages. It simply goes to show a fairly comparable basis, whichever figures you wish to look at, or whatever form of comparison you wish to make. In Table 1 we have made a comparison of gainfully employed, by major industries, Newfoundland and Vancouver Island. You will also notice there that they are noticeably comparable.

(The following is the section of the brief referred to above).

SUMMARIZED COMPARISON OF NEWFOUNDLAND AND VANCOUVER ISLAND:

NEWFOUNDLAND:

Area - 42,734 square miles.

Long. and Lat. of St. John's - Lat. 48°, Long. 53°.

Geographical Features:

The Island is mountainous on the west side with rivers flowing into the bays on the North-east Coast. It has a rugged coastline especially on the South-West coast. Approximately 1/3 of the island is transversed lakes and rivers. The Island is noted for its beautiful scenery and for the large numbers of salmon and trout rivers. There is some agricultural land and certain sections are heavily timbered. The temperature varies from 0° to 80° during the year with abundant rainfall.

Population:

1945 Census, - 321,819.
St. John's (1945) - 62,823.

The Economy:

1. General. Apart from the production of pulp and paper and some fish processing there is little manufacturing in Newfoundland. Dependence is largely on primary production.

2. Fishing:

The fishing industry is the major occupation of a large part of the population. Cod is the predominant catch with salmon, herring, halibut and lobster also important. Fishing exports in 1945 were valued at \$29,697,069.

3. Forestry:

The forestry industry is also of considerable importance. The sawn lumber cut, which is largely absorbed locally, amounted to 56 million board feet in 1944. There were 1370 registered sawmills in 1944. Newsprint production is one of the most valuable exports with production valued at \$16,815,992 in 1945.

4. Agriculture:

Agricultural products (including livestock) were valued at \$14,000,000 in 1945. The value of livestock accounted for \$7,000,000 of this estimate.

5. Mining:

Mining exploration, in connection with iron ore deposits, may prove a valuable asset to the province. Iron ore production of 984,645 long tons valued at \$2,510,844 were shipped in 1945. Total mineral exports were valued at \$9,315,722 in the same period.

RAILWAY MILEAGE:

1946 - 705 miles of government line and 56 miles of private line of 3.6" gauge.

VANCOUVER ISLAND:

Area, - 13,048 square miles.

Long. and Lat. of Victoria, - Lat. 48°, Long. 123°

Geographical Features:

The western part of Vancouver Island is very mountainous.

The agricultural land is largely contained in a section stretching from Victoria to Campbell River on the east coast. The best stands of timber, chiefly fir and cedar, are situated on the east side of the island although there are excellent stands of timber on the west coast and at the north end of the Island. The climate is very mild at the southern end of the Island with rainfall averaging 27" a year. The highest temperature rarely exceeds 90° in the summer and the lowest temperature is seldom below 20°. Frost and snow in winter are of short duration. On the north and west coasts in the mountainous regions the rainfall is exceptionally heavy and averages over 100 inches.

Population:

1945, (est)	-	174,487	
1948 (est)	-	200,000	
Victoria (proper)	-	1945 (est)	- 50,000
		1948 "	62,000

The Economy

1. General.

The principal industries of the Island are logging and related forestry manufacture, mining (chiefly coal), farming and fishing. While the Island has shown a growth of small scale manufacturing in recent years, the expansion of power facilities will probably increase this tendency.

2. Fishing:

Fishing and fish canneries play an important part in the Island's economy. Salmon, pilchard and herring are of prime importance.

In 1947 there were 26 fish canneries and 4 reduction plants located on the Island. It is not possible to determine what part of the total catch and value of processed

fish is attributable to Vancouver Island.

The total value of B.C.'s fisheries in 1945 was \$44,531,858, with an estimated value in 1948 of \$70,000,000.

3. Forestry:

The logging industry has long been carried on successfully on the Island with greater emphasis now being placed on secondary production in forest products.

The timber cut in 1945 for the Vancouver Forest District was 2,292,502,255 F.B.M. Vancouver Island accounted for a major share of this cut. As the total cut for the Province in this year was 3,081,235,491 F.B.M. valued at \$147,655,000 the importance of the forestry industry to Vancouver Island can be readily appreciated.

4. Agriculture:

Agricultural development of the Island is fairly intensive. In 1941, 236,637 acres were occupied. There were 2,773 farms of which 577 were fruit farms at this time. The total value of agricultural production for the Island is estimated at \$12,000,000 in 1945.

5. Mining:

The total value of mineral production of the Island, inclusive of items such as cement, lime and limestone, sand and gravel, clay products and coal were valued at \$4,408,386 in 1945. Coal is of the greatest importance and was valued at \$2,370,557 for this year.

RAILWAY MILEAGE:

C.P.R. - 209.7 miles.

C.N.R. - 97.7 miles. (exclusive of logging railways.)

TABLE 1.

COMPARISON OF GAINFULLY EMPLOYED, BY MAJOR INDUSTRIES,
NEWFOUNDLAND AND VANCOUVER ISLAND.

1945

<u>Industry</u>	<u>Newfoundland^x</u>	<u>Vancouver^{xx} Island</u>
Fish processing and reduction plants	568	1,075
Fishing	31,634	3,500
Logging	7,606	7,311
Pulp and Paper	3,125	672
Sawmills and woodworking	1,598	4,672
Mining	3,002	1,346
Agriculture	4,179	6,000
All Others	60,796	42,424
Total gainfully employed	112,508	67,000

x Census of Newfoundland, 1945, Dominion Bureau of Statistics, Ottawa.

xx Estimates of the Bureau of Economics and Statistics.

We repeat that even as buyers of transportation, who do have some knowledge as to the origin and complexities that go to make up the Canadian freight rate structure, this appears as an inequality of treatment. One can only surmise how this treatment is taken by the every-day Canadian person who has none of this knowledge to fall back on.

We understand that the Maritimes Freight Rate Act (1927) which instigated this 20 per cent subsidy within the far eastern territory of Canada, came about as a demand by the Canadians living in this territory, that the Dominion Government had not lived up to the Act wherein this territory joined the Confederation of Canada. Should this be correct, we would take the liberty of quoting to you in the case of British Columbia, from a dispatch of the Colonial-Secretary, Earl Granville, to Governor Musgrave of British Columbia, dated on Downing Street, August 14, 1869. This dispatch, as well as a vast mass of other correspondence, will be found in the sessional papers of 1875, and other such information which would be of use to this Royal Commission in considering this phase of Canadian transportation.

In this dispatch, Earl Granville, after advising the terms had been agreed upon for Prince Rupert Land and the North West Territories be united to Canada, and that probably an Order in Council would be signed by the Queen inaugurating in the Dominion of Canada, all British possessions in North America except British Columbia, expressed the opinion of Her Majesty's Government in the dispatch we refer to, in these words: "That the interest

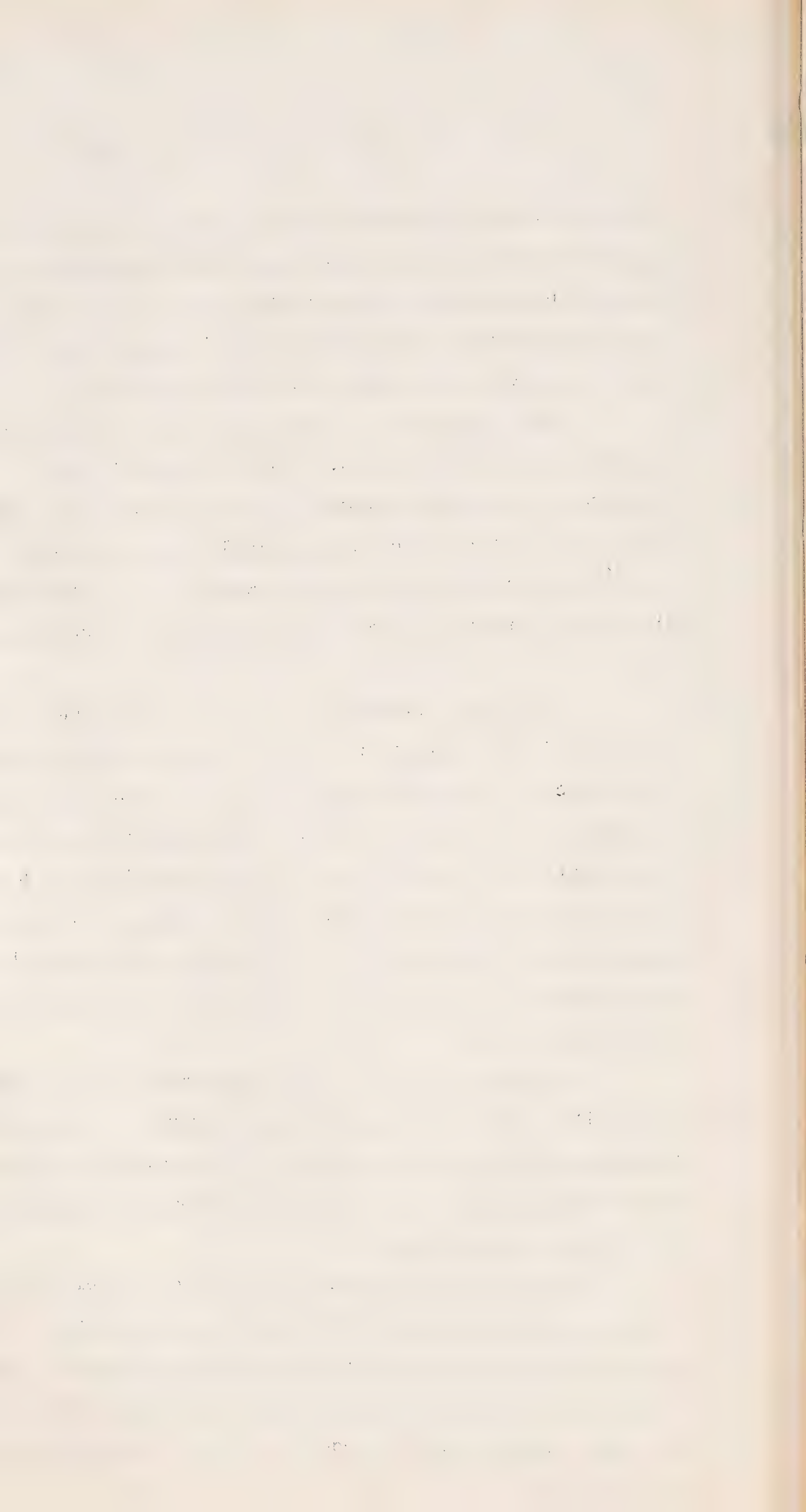
of every Province of British North America will be advanced by enabling the wealth, credit and intelligence of the whole to be brought to bear on every part than by encouraging each in the contracted policy of taking care of itself, possibly at the expense of its neighbour."

This quotation contained the spirit of equality and uniformity and of union. This was the official invitation to British Columbia to unite with Canada and become one part of an harmonious whole, and it is the violation of this spirit of unity which has brought about the unjust conditions such as the Maritime Freight Rates Act.

To further substantiate this, we again quote from Earl Granville's dispatch: "Most especially is this true in the case of internal transit. It is evident that the establishment of the British line of communication between the Atlantic and Pacific Oceans is far more feasible by a single government, responsible for the progress of both shores of the continent, than by a bargain negotiated between separate, perhaps in some respects rival, governments and legislatures."

We would ask what better inducement was offered the Maritime Provinces than British Columbia to join Confederation and why many years later their complaint to the Dominion Government brought forth this enormous advantage of a freight rate subsidy.

We object against the principle of establishing rates by statutes, whereby they are removed from the jurisdiction of the Board of Transport Commissioners, and no provisions are made for consideration or adjustment of the same, by the Board in order to reflect changing economic conditions.

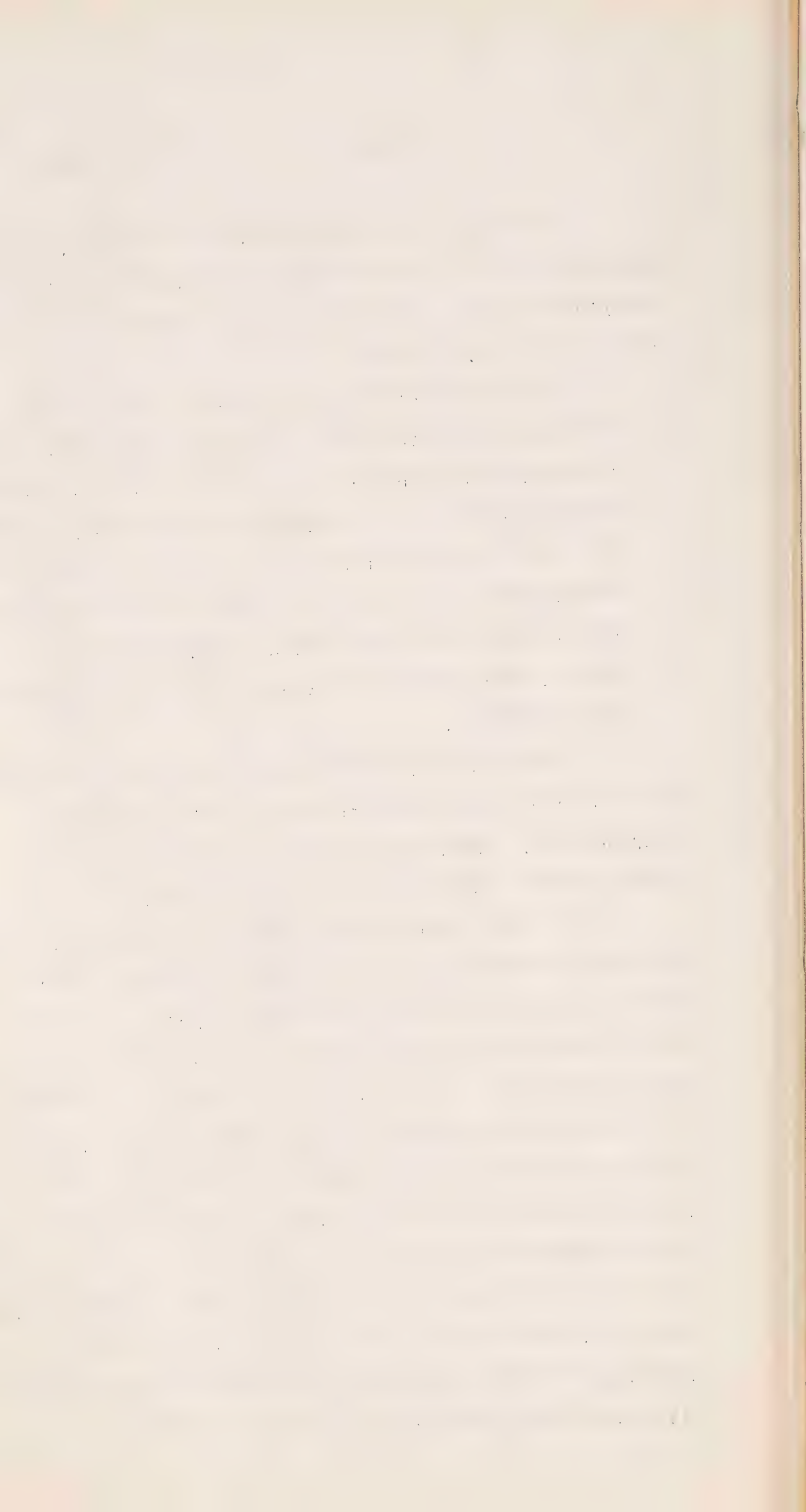


If I may divert for a moment, our brief, of course, had to be in before we received the submissions of the carrying companies. On page 4 of the Canadian Pacific submission item No. 13 reads:

"No system of rate-making should, in our submission, be adopted which contemplates the principle of transportation subsidies because these tend to encourage the uneconomic use of transportation services. Canadian Pacific does not seek the repeal of the Maritime Freight Rates Act but it does submit that such legislation should not be extended to other areas of Canada. That Act acts towards rigidity in the freight rate structure."

They say they are against it the same as we are, and yet there has been no objection to the addition of Newfoundland. Apparently it is all right for eastern Canada but must not be used in western Canada.

We would humbly submit that the Crow's Nest Pass Agreement (chapter 5 of the Statutes of Canada 1897) be carefully surveyed by this Commission in that it is the common belief among transportation men that the rates on grain established in 1897 could not, under any circumstances, be considered equitable rates under present day conditions. We would request that an investigation into this matter be instigated in order to substantiate the common understanding that these grain rates are not standing their full proportion of operating cost to the railways, and that because of this the railways are constantly demanding and obtaining higher revenues from the payees of all other commodities moving throughout Canada.



It would be our contention that if the Commission finds, due to the National interests of this country that these low rates be maintained, that the Government should instruct the Board of Transport Commissioners to determine what are equitable rates on grain movement, and that the difference between these two rates be subsidized by the Government. In this way, grain would pay its proper proportion of transportation and all the peoples of Canada would pay equally on a national interest matter instead of just the buyers of transportation.

In this investigation which could not fail to determine whether the grain rates were, or were not, paying their way, we would suggest that the investigating body carefully take into consideration the present-day marketing conditions in grain.

There might be some hesitancy there as to the common understanding. A pamphlet came on my desk within the last few days. It is a copy of an address by Mr. P.C. Armstrong to the Canadian Industrial Traffic League, Niagara District, Niagara Falls, Ontario, May 5, 1949. Mr. Armstrong is an economic consultant of the Canadian Pacific Railway. If I may, I should like to read a paragraph of his on page 7 of the address. He says:

"Of course, this business of charging only what the traffic will bear should not be interpreted into deliberate attempts to move any form of traffic at less than the rate which it could reasonably bear. Broadly speaking, the railways avoid any policy of this kind, as you know. They do attempt to charge the lower priced commodities what the traffic will bear. They

do not deliberately go out and make low rates on them, without considering that these will mean higher rates on other forms of traffic. The only major case in which this rule is not followed in rate-fixing in Canada, as far as I know, is that of the movement of wheat in western Canada, at rates established more than a half a century ago, and which bear no real relationship to what the traffic would bear today. Of course, in that case, the hands of the railways are tied. All that they can do is to remind you that the existence of these artificially and unnecessarily low rates on wheat means that the railways have to impose higher rates than otherwise would be the case on other forms of traffic."

MR. FRAWLEY: I think this is the second time that Mr. Armstrong's words have been brought to the attention of the Commission. I believe it was mentioned before, but I would now formally ask the Canadian Pacific to get some copies of that address for us, and have it filed as an exhibit.

MR. EVANS: I will be glad to if I can. I feel sure I can get copies and I will be glad to. How many would you like?

MR. FRAWLEY: Personally I would like quite a lot.

MR. O'DONNELL: He has some other very good addresses too that you might like.

MR. FRAWLEY: Ex parte.

THE WITNESS: In order to establish our request for a standard Canadian uniform mileage scale, we submit

for your perusal a summarized statement showing the five standard mileage scales now in use throughout Canada. We would point out the existing differences in these scales for equal miles within the various territories. (See Schedule No. 1 attached.)

Schedule No. 1 attached to the brief simply takes the standard mileage scales plus the 21 per cent increase within the various territories, and shows the differences in the movement of first, fourth, fifth and tenth classes for 100, 400 and 1,000 miles. In other words, those are the scales from which the rates are obtained.

We would further point out in relation to this Exhibit the following percentage relationships between the first five classes applying between points in:-

	<u>Western Canada</u>	<u>Eastern Canada</u>
1st	200% of 4th	200% of 5th
2nd	167% of 4th	175% of 5th
3rd	133% of 4th	150% of 5th
4th	100%	125% of 5th
5th	90% of 4th	100%

It is to be noted in the above table that rates in western Canada are established as 4th class being 100 per cent, and in eastern Canada 5th class is 100 per cent which of course tends to put the rates in different brackets.

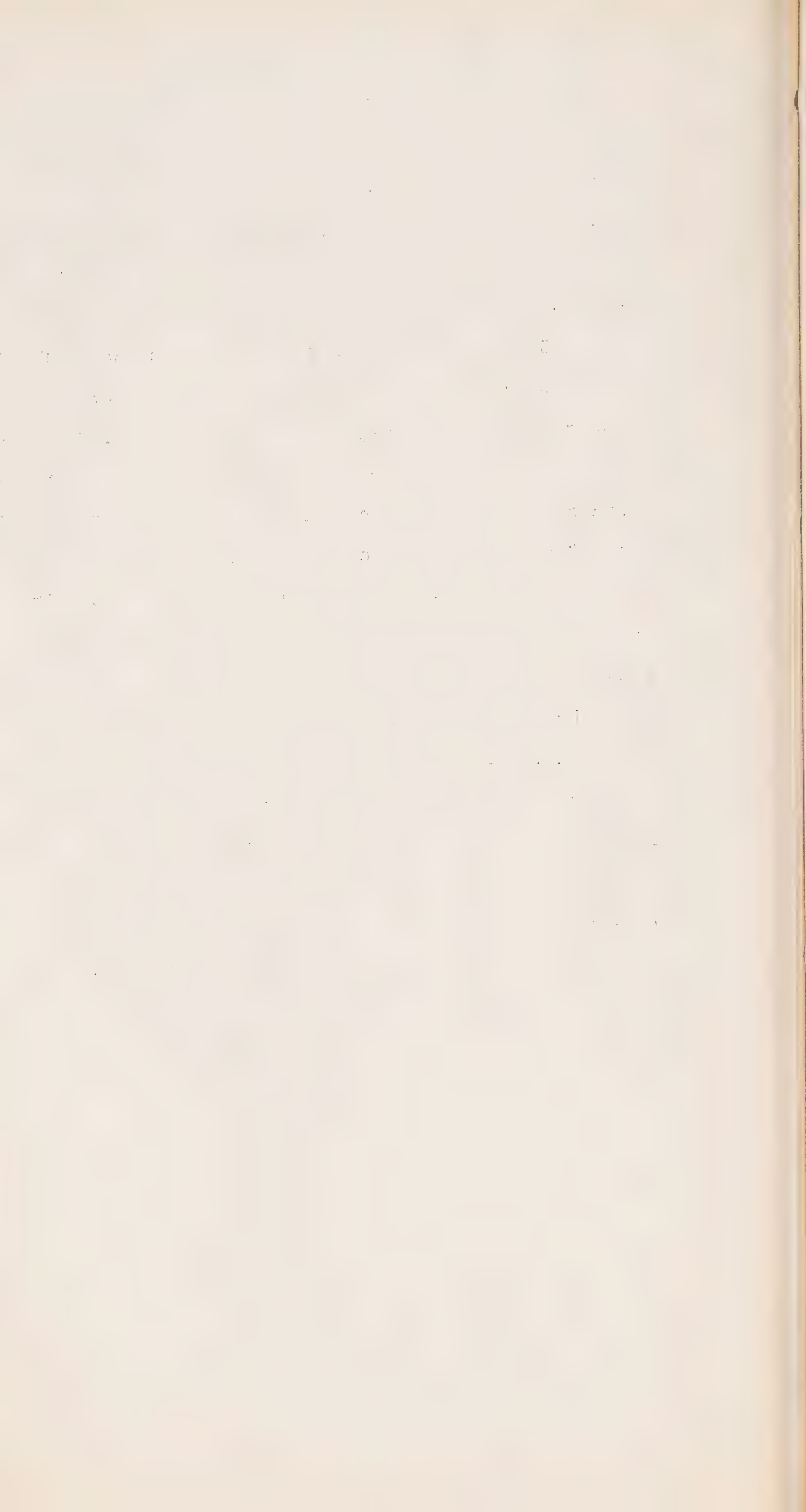
It is our contention that it is hopeless to establish equitable rates throughout Canada when the fundamental scales used to determine practically all rates are so widely diversified within territories, and even their basis, as per the percentage relationships quoted above,

are at variance. Surely, a recommendation that there be a uniform scale of rates, i.e., the percentage relationship of all classes to the first class rate, be the same throughout Canada, is in order.

Schedule No. 2 "Statement of Class Rates for 500 Miles", attached, is submitted in order to show that when the original base scales, or yardstick scales, for rate making are so diversified, the relationship between rates, including Distributing and Terminal Rates, within areas, must, of necessity, reflect this variation.

In other words, the centre section under the centre block of rates is the main item there. We understand, of course, that the Pacific Scale will be reduced to the Prairie Scale as of July 1, but it will show large variations. My understanding is that Schedule A rates within Ontario and Quebec are equivalent to our distributing rates in western Canada, but one difference appears to be that Schedule A rates do not bear any definite relationship to the standard mileage scale while in western Canada, of course, our distributing rates are on a percentage basis.

Page 2930 follows



In order to establish the position of the western territories in relation to the balance of Canada, as substantial buyers of transportation, we submit Schedule No. 3 "Revenue Freight Carried by Canadian Railways." This statement shows the originated and terminated revenue freight carried within the various territories, in tons of 2,000 lbs.

Schedule No. 4 simply shows the percentage of increase to the total on originated and terminated freight, based on the figures quoted in Schedule No. 3.

As buyers of transportation within a high rated territory of this country, we cannot but help analyze the reasons that brought about the low Group "A" rates and the low Pick-up and Delivery Rates applying on traffic within the highly industrialized areas of Ontario and Quebec.

It is our contention that some of the competitive factors that went to make up these low remunerative rates within that territory have disappeared.

Many of these low Group "A" rates were undoubtedly published on the basis of the United States rail rates in comparative territory and bear no relation to the standard mileage rates within this territory. We all know that with the high increases that have occurred on American rail rates, this competitive situation has disappeared completely, yet these low rates applying within this territory, have only been assessed the one general freight rate increase of 21 per cent.

These scales have been further influenced by water competition on the St. Lawrence River and Great Lakes, and we can contend that it was the State that created this water

competition which, in turn, allowed for low scale of freight rates within this industrialized area. It was Canadian taxpayers' money that built the tremendous, costly, navigable waterways that service the territory, and we also contend that some form of tax should have been placed on these services that would have kept them on a competitive basis with the railways, rather than force the railways to meet their competition to a point where there is any argument that the revenue of these rail carriers due to these low rates, had to come out of the pockets of the payers of freight in the other territories of Canada.

Another factor that leads to these low remunerative rates within the industrialized area of Ontario and Quebec, is the practice of meeting motor carrier rates in order to retain at least a portion of the business which they have taken from the rail carriers. It is our contention that the Board of Transport Commissioners should have power to prescribe a minimum rate for Canadian rail hauls. We further contend that some governing body should be placed in control of motor transportation.

In our opinion, one of the solutions to Canadian transportation problems will be that the carriers' rates must be based on the true cost of operation. In British Columbia this is already the guiding principle in the setting of motor carrier rates. In the final report of the Public Utilities Commission issued May 15, 1941, the following is given as the policy of the Rates Department of the P.U.C.'s Motor Carrier Branch: "Where the railways and motor carriers compete over the same route or between points situated on

railway lines, as well as on routes followed by motor carriers, motor carriers should be permitted to file rates to meet railway competition, provided that the revenue received for transportation of truck load lots of the lowest class is not less than the cost of operation of the motor vehicle."

Surely, the lack of control over the motor carriers and the lack of power by the Board of Transport Commissioners to set a minimum rate, leads to the carrying of traffic that is not bearing its proper share of providing revenues and, consequently, casts an undue burden upon traffic carried under other rates in other territories.

We are thoroughly convinced that the Canadian Freight Rate Structure is wrong, but that there are no serious reasons why it could not be straightened out to the satisfaction of all territories of Canada if we start by having one Uniform Mileage Scale. This, we feel sure, would provide the country with a base for a rate structure that would be equitable to all parts and peoples of Canada. From this could stem equitable Terminal and Distributing rates, with truly competitive traffic finding its own level of rates.

MR. BRAZIER: Q. Is there anything further you wish to add to that, Mr. Bolton?

A. No, I do not think so.

CROSS EXAMINATION BY MR. SHEPARD

MR. SHEPARD: Q. Mr. Bolton, I have numbered my copy of your brief; and at the bottom of page 4, the last

paragraph, you begin with a reference to the Crows Nest Pass Agreement?

A. Yes, sir.

Q. "We would humbly submit that the Crows Nest Pass Agreement (chapter 5 of the Statutes of Canada, 1897) be carefully surveyed by this Commission in that it is the common belief among transportation men that the rates on grain established in 1897 could not, under any circumstances, be considered equitable rates under present day conditions."

You explain, in dealing with a phrase just over the page, "common understanding", that Mr. P. C. Armstrong had made an address. Is that the entire basis of that statement?

A. No. I understand this matter was investigated and found to be in order in 1925 to 1927; but there has been no investigation made since then. Surely with the increases we have had to take, on all other forms of transportation, it should have brought them out of that level by now.

Q. You say that it is the common belief among transportation men that the rates on grain established in 1897 could not, under any circumstances, be considered equitable rates under present day conditions. Now, what is the basis of that common belief, where did it come from?

A. It came from the high increases on all the other rates.

Q. In other words, you think that the railways were just getting by in 1925, on the Crows Nest rates, and that now they must be losing money because everything else has gone up?

A. No. I understood they were paying their way at that

time.

Q. But there has not been any similar investigation recently?

A. No.

Q. And this statement about a common belief among transportation men, you took that from what Mr. Armstrong said in his speech, and you do not know about it of your own knowledge?

A. I think that it is pretty well reported in the Canadian Pacific's brief at page 25, items 80 and 81.

MR. EVANS: That is the verybest, Mr. Frawley.

MR. SHEPARD: Q. My recollection is that the Canadian Pacific suggested there be an investigation. How does the wording go?

A. "It is recognized that the national policy may require special assistance to the producers of grain in western Canada,"

In other words, they are intimating that there has been no investigation.

MR. FRAWLEY: Q. Do you mind reading that passage completely? You did not finish reading it.

A. It is item 81, on page 25 of the "Outline Submission of Canadian Pacific Railway Company to the Royal Commission on Transportation", and it reads as follows:

"It is recognized that the national policy may require special assistance to the producers of grain in western Canada, but Canadian Pacific submits that any relief given in this respect should not be at the cost of other users of railway services or of the railway companies."

MR. SHEPARD: Q. But that is not a definite

statement .

A. No, it is not, and neither do I say it is.

Q. Would you just turn to the second complete paragraph on page 5:

"In this investigation which could not fail to determine whether the grain rates were, or were not, paying their way, we would suggsst that the investigating body carefully take into consideration the present day marketing conditions in grain."

What did you have in mind by that phrase "present day marketing conditions"?

A. I am not very conversant with that, so I just pointed ^{it} out. I understand that since this investigation in 1925-27, the government has entered into this with the Canadian Wheat Board, and there might be some reason to believe that that might change the aspects of the case, entirely.

Q. I see. Then, on page 6, which is the second last page, the last paragraph, you say:

"In our opinion, one of the solutions to Canadian transportation problems will be that the carriers' rates must be based on the true cost of operation."

I wondered what you had in mind in that phrase: "true cost of operation"?

A. There has been an enormous amount of discussion with regard to the cost of operation within the different territories, and I understand that the mountain differential has proven that it is impossible to break them down between territories. But, if the cost of operation is the same in Ontario as it is in Manitoba and British Columbia, then we

should have a fundamental base rate, the same base rate.

Q. What did you mean by "cost of operation."?

A. I meant the entire cost, taking into consideration the value of services as well.

Q. I think that is all. Thank you.

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. Mr. Bolton, you say that you understand that the Government of Canada has entered into this with the Canadian Wheat Board. What has the government of Canada done with the Canadian Wheat Board in so far as the freight rates on grain are concerned?

A. I do not know. I do know, of course, that conditions are different from the time of the last freight rate investigation.

Q. What investigation are you referring to?
Is it the one in 1926-27?

A. I believe it was, but I do not know. The only reference I could find out about it was by H. J. Symington, I believe. He was one of the - I do not know what the name of it was -

MR. BRAZIER: It was the General Freight Rates Investigation, 1925-27.

MR. FRAWLEY: Q. You must be referring to that General Freight Rates Investigation, 1925-27; but you spoke about the cost of carrying grain?

A. It was my understanding that the grain rates were thoroughly investigated during that investigation.

Q. Were there some cost figures to show the cost of moving grain as compared to the cost of moving other traffic?

A. I do not know.

Q. At the bottom of page 6 you refer to the final report of the Public Utilities Commission, that is, of the province of British Columbia?

A. Yes.

Q. What do you mean by the use of that word "final"?

A. I believe that to be an error. That was submitted to me, but I believe the word "final" should read: "first". I only got that verbally.

Q. We have it that this is the first report of the Public Utilities Commission?

A. Yes.

Q. But the Public Utilities Commission was established prior to 1941?

MR. COVERT: It might mean "annual".

MR. BRAZIER: Actually, there was a change, in 1940, from the Highway Act to the Motor Carriers' Act.

THE WITNESS: That is possibly what it means.

MR. FRAWLEY: Q. Apparently the Board lays down the policy there that motor carriers should be permitted to file rates to meet railway competition, provided that the revenue received for transportation of truckload lots of the lowest class is not less than the cost of the operation of the motor vehicle. Have you made any inquiries behind this report so that you might tell us what they mean by "transportation of truckload lots of the lowest class"?

A. No, I have not gone into it at Victoria.

Q. Or what the expression: "cost of operation of the motor vehicle", what that expression could mean?

A. No.

MR. EVANS: Q. Following up my learned friends, Mr. Frawley and Mr. Shepard, on this paragraph on page 5, would it be possible that you had in mind there that the present day marketing conditions in grain make it difficult to say who, ultimately, bears the freight rate?

A. That is what I had in mind.

Page 2940 follows

Q. I thought perhaps that was what you had in mind. Then perhaps we could go back to the beginning of the brief. I am a little ignorant about your industry, but is this the fact, that you manufacture paper and paper products from largely waste materials in the lumbering operations that have been carried on in British Columbia?

A. No, the Pacific Mills Limited are paper manufacturers, the Sidney Roofing and Paper Company are paper manufacturers, and the Westminster; the others are strictly converters, and all of those firms are converters as well, but they ---

. When you speak of converters, do you mean converting the wood into pulp

A. No; converting the paper into the various products.

Q. I see; but Pacific Mills is a paper manufacturing concern?

A. Yes, and Westminster, and Sidney Roofing.

Q. From what source is the wood and wood pulp derived in that process?

A. In the case of Pacific Mills and the Westminster that is all pulp; in the case of Sidney Roofing, although they use a lot of pulp also, they do not make any of their own pulp -- they changed that recently, they did put in a grinder there, but a lot of their base is waste.

Q. But that is not true, you say, of Pacific Mills

A. No.

Q. Is this large mill now being built near Nanaimo not largely to be used in making use of the waste scrap wood and slash?

A. That is my understanding.

Q. In the lumbering operations.

A. That is right.

Q. So to that extent it is a by-product industry, perhaps?

A. Theirs would be, yes, I would say so.

Q. Is that not represented in your ---

A. No.

Q. What is the name of that firm in Nanaimo?

A. I believe it is coming under H. R. McMillan.

Q. Is that the name of it, H. R. McMillan?

A. No; I couldn't give you the name of it right offhand.

Q. All right; that is in passing. Now, just to get another thing a little straight: the tonnage you show on page 1, I gather, is the tonnage moved by all forms of transportation?

A. That is right, sir.

Q. I do not want a detailed break-down, but have you any rough idea of the proportion of that tonnage moved by rail?

A. No, I am sorry, it is very difficult to get figures of that kind. I tried to get those firms to break them down, and I couldn't.

Q. All right; that is in passing. Now, further down the page you speak of what you think is the necessity for an absolute equality of treatment; I assume that when you use the word "absolute" you have in mind some leeway in the railways to meet competition and to meet we will say development -- put in development rates?

A. Yes, sir.

Q. So that when you say "absolute" you have some qualifications

A. Oh, yes. What we are asking, we have a ceiling on your rates; we now would like a minimum, and we would like to be able to negotiate rates between those.

Q. And what you mean by absolute equality, as I gather from the tenor of some other parts of your brief, is more particularly that that scale of rates be equalized?

A. That is right.

Q. I was wondering whether you were aware that as early as last July, 1948, the railways have indicated their intention of making proposals along that line.

A. That is right, sir, I am aware of that.

Q. Then on page 4, the very last part of the page, about the Crows Nest Pass rates, I was just going to suggest to you that the Crows Nest Pass agreement, as you know is not now in effect, and that we now have a statute which takes its place.

A. That is right.

Q. And that the statute covers a little more than the agreement; were you aware of that?

A. Yes, sir.

Q. That is to say, the statute now makes these rates applicable from all points on all railways in western Canada moving to Fort William?

A. That is right.

Q. Whereas the agreement had specified points?

A. Yes.

MR. FRAWLEY: The agreement had something to say about a lot of other things that have now gone by the board,

Mr. Evans, like binder twine and agricultural implements.

MR. EVANS: Then we can deal with that too.

Q. Now, in this question of equalization, I assume that you will agree, in view of your attitude as to statutory rates, that an equalization scheme would have to be equalization, would have to give some effect to any possibility that the grain rates might be lower than the other scales?

A. Yes.

Q. In eastern Canada?

A. Yes.

Q. And would you also agree that when you had to turn to equalization these so-called assumed mileages between Fort William and Winnipeg and between Vancouver and Glacier would also have to be given some weight?

A. They certainly would have to be taken into consideration, in view of what was done with rates in the east -- over-all equalization of rates.

Q. Equalization means equalization?

A. That is right.

Q. Then might I invite your attention to schedule 1? I just wanted to straighten up one thing.

MR. COVERT: Mr. Evans, if you do not mind my interrupting, at this stage, I think we are going to have to put those schedules in as an exhibit. Schedules 1 to 4 will be Exhibit 37.

EXHIBIT NO. 37 -- Schedules 1 to 4 to
brief of British Columbia
Paper Manufacturers and
Converters.

MR. EVANS: Q. I just draw your attention, Mr. Bolton, to the fact that the little note which is opppsite

the asterisk at the bottom of the table refers to the Maritime Freight Rates Act and suggests that it applies on outbound traffic only. I think you will agree with me that it also applies on traffic within the maritimes?

A. No, I did not understand that. The railroads had informed me that it was outbound only.

Q. Well, it is within the maritimes as well.

A. I am very glad to have that added.

MR. COVERT: Perhaps, Mr. Evans, you might clarify that. It occurred to me that he said outbound as distinct from inbound.

THE WITNESS: No, no; Mr. Evans has corrected me; I did not know that it was within.

MR. EVANS: Q. Well, as long as we get th s straight.

A. A movement within.

Q. We do not want to have any misunderstanding. Traffic moving into the maritimes from other parts of Canada does not obtain the maritime preference.

A. Right.

Q. And traffic moving outbound from the maritimes gets the maritime preference?

A. Right.

Q. And traffic moving wholly within the maritimes gets the maritime preference?

A. Right. While we are on this subject, would you mind confirming the fact that that 20% subsidy is based on the same schedule A rate?

Q. I can inform you that the 20% is 20% lower than the normal rate established might be; if it is a competitive rate, the normal rate is fixed by the Board, and the amount

paid by the shipper is 80% of what the Board says is normal -- it applies to class rates and commodity rates and all rates -- but the 20%, for your further information, applies only to a portion of the haul out of the maritimes, for that portion east of Diamond Junction and Levis, Quebec. Now, if I might just have a moment with Schedule 3, we had a little difficulty checking this until we discovered what might have been done, and will you confirm me in this: what tonnages you have shown as originated and terminated respectively are tonnages which are designated originated and terminated, but which have added to them -- that is to say, to the originated tonnages -- tonnages received from connections and to terminated tonnages you have added tonnages delivered to connections?

A. I am sorry, I couldn't answer that.

MR. BRAZIER: I might say, Mr. Evans, I think Mr. Brown prepared that table for Mr. Bolton, and he confirms that that is correct.

MR. EVANS: I think it is apparent that that was done, isn't it?

MR. BRAZIER: Yes, that is correct.

MR. EVANS: Q. I suggest to you that if that were done there are inevitably some duplications in it?

A. Possibly, yes.

Q. You understand what I mean when I say duplications?

A. Yes.

Q. Would it not also be true that one must look at those figures having regard to the possibility of duplication in another direction, and that is that traffic moving in and out of a transit point would be billed as terminated in at the transit point and originated out?

A. Yes, I think that would be.

Q. I am just trying to straighten up the facts; I am not attacking your ---

MR. BRAZIER: I do not follow you there, Mr. Evans.

MR. EVANS: If, for example, wheat moved into a milling transit point, the wheat would be counted as terminated at the transit point and the flour originated out.

MR. BROWN: This material is constructed on waybills.

MR. EVANS: I just want to have the record clear. There is no attack on this; it is just to have the record clear.

Q. When you make a comparison of tonnages between east and west, you might have to bear in mind that western wheat would be counted as originated in the west, terminated in the east, and the flour originated in the east and possibly terminated in the east?

A. Yes.

Q. You see, you have three counts as against one in the east?

A. Due to milling in transit.

Q. That is right?

A. Yes.

Q. Then Schedule 4, the purpose of which I gather is to show that, as related and compared to other parts of Canada, British Columbia has produced or shown a larger increase in tonnages, both originated and terminated, than other parts of Canada, since 1922

A. That is right.

Q. Had you any particular reason for selecting 1922 in that.

A. No -- twenty-five years.

Q. Yes, because I suggest to you that if you had used such a year as 1926 the percentages over all, originated and terminated in British Columbia, would have grown by only say 50 per cent as compared with the national average of 43 per cent; it makes quite a difference.

A. Due to the inauguration of the grain movement, that is quite so. In other words, you are stating that the first five years there was something in there that influenced that percentage greatly.

Q. I think there was some unusually low point of depression in British Columbia -- probably you will correct me -- in 1922 and for a year or so after?

MR. BRAZIER: I think we went into that a bit in the mountain differential, and there was considerably increased traffic to Vancouver following the equalization of the grain rates which occurred around 1922 and affected the traffic between 1922 and 1926.

MR. EVANS: Q. Then I gather that as far as the importance of traffic originating and terminating in British Columbia is concerned, all that that means is that the traffic was transferred to British Columbia ports from other ports in the east; that is really what it amounts to?

A. It is really a matter of interest on the movement of the figures.

Q. If you really wanted to measure growth of British Columbia traffic, I suggest to you it would have perhaps been a little more accurate to have taken a year in which that unusual situation did not exist.

A. In other words, gone back twenty instead of twenty-five.

Q. Yes. Now, on page 6 -- I have numbered mine the same as Mr. Shepard did -- that is the page that refers to Schedule 4, you see; it has a little break in two places on the page?

A. Yes, sir.

Q. You speak there of the Schedule A rates, or the group A rates as you call them?

A. Yes, sir.

Q. You refer to the reasons for the publication of those rates, and you make certain suggestions, that they should perhaps have been increased more than the other rates because of conditions which you say have disappeared in competition with the United States roads?

A. That is right.

Q. I was wondering whether you are aware that the railways are not free to increase those rates, even though they are below the ceiling; they were fixed by the Board in 1907, and those are among the rates that the railways are not free to increase without the authority of the Board?

A. No, I was not aware of that.

Q. Then when you speak of the solution to the Canadian transportation problem, basing rates on the true cost of operation, I am not quite clear as to whether you meant what our friend Mr. Brown meant in Victoria when he went to the extent of saying that all rates should be based upon the cost of operation and that the so-called value-of-service principle should be eliminated; would you ---

A. I don't know. I think Mr. Brown must have been misunderstood. I do not see how you could eliminate the Canadian Freight Classification.

Q. Well, at all events ---

A. I would suggest that it be brought up to date.

Q. I hope I am correctly stating what I got from him. You would not agree, if it went that far, as to eliminate the classification of commodities?

A. No.

Q. Giving effect to the value- of-service principle?

A. No.

(Page 2948 follows)

Q Now, when you speak of cost of operation here you are speaking of the by and large over-all cost of operation?

A Yes.

Q And in that cost of operation of which you speak do you agree that there must be a reasonable return on investment added to the actual operating costs?

A Yes.

RE-CROSS-EXAMINATION by MR. SHEPARD

Q There is one point I should like to clear up arising out of Mr. Evans' questions of Mr. Bolton. Mr. Bolton, turning back to page 5 again, the phrase that you and I were talking about, "the present-day marketing conditions in grain", is it correct that you believe that the farmer does not pay the freight on the grain?

A I don't know.

MR. EVANS: The answer he gave me was it was difficult to determine in view of this condition. That was the answer he gave me.

MR. SHEPARD: Q. You feel it is difficult to determine who pays the freight on grain produced in western Canada when it is sold on a Fort William basis?

A I don't know sufficient about grain rates to answer that. That has always come up in rate making and the understanding of rates within Canada. The argument has always come up as to whether they do or do not pay their way. I think this is the proper place for it to be brought up, and this Commission will undoubtedly look into it.

Q I agree entirely, but I wondered on what basis

you felt that the primary producer of grain did not pay the freight on his product?

A All I know is that conditions are different since the last time they were investigated. I am not getting into an argument.

Q When I was discussing it with you first I gained the impression that because the wheat board has taken over the actual marketing that you felt there were somewhat different factors in the marketing of grain, but you did not suggest to me that the farmer did not pay the freight?

A No. The man following me is an expert on grain rates, and I suggest that you bring the matter up with him. I am quite sure he will be ready to answer any questions you have on it.

MR. O'DONNELL: I have no questions.

EXAMINATION by MR. COVERT

Q When you talk about the Crow's Nest Pass rates I should like to find out if you think the Commission should once and for all, for example, find that it is in the national interest?

A It might not be in the national interest today where it was under past investigations.

Q At page 5 you say:

"It would be our contention that if the Commission finds, due to the national interests of this country that these low rates be maintained...."

My point is supposing they did investigate and came to the conclusion that it was in the national interest. Do you think they could find now that it was in the national

interest for all time?

A No.

Q Or do you think that would have to be subject to continual review?

A That is right, continual surveillance.

Q In other words, that would have to be determined from time to time in some manner, perhaps by another Commission in years hence?

A That is right.

Q Have you any suggestions as to what considerations should be used in determining the meaning of that phrase, "national interest"?

A There must have been a very good reason for their establishment in the first place, and with that in mind surely an investigation would be able to determine whether the same reasons exist, or whether others have come into the picture to warrant the granting of these low rates and the maintenance of them.

Q Presumably it was to ensure that the grain could move and compete in the export markets of the world?

A That is right.

Q And presumably it was felt that this was such a large area, and that there were so many people involved, that that in itself constituted national interest?

A That is right.

Q Would you think there were any other factors that enter into that phrase, "national interest"?

A I don't think so.

Q It is the volume, the value and the number of people?

A The value of it to the national economy of Canada.

COMMISSIONER ANGUS: Q. When you speak of the difference between these two rates, what are the two rates?

A I could not answer that. There are set rates. In other words, my understanding is that the rates that were established in 1897 are still being applied to grain movements today, and of course we are asking that the Board be allowed to say whether those rates are paying their way today; in other words, establish what they would pay if there was not any national interest matter to the thing.

Q But you say, "and that the difference between these two rates be subsidized by the government."

A Yes, the difference between what they are paying today and what the Board would set as what they should be payin

Q What it is equitable they should pay.

A Yes.

Q You believe the difference between what they are paying today and what it is equitable they should pay should not be paid by the shippers of grain?

A Not by the shippers of other commodities, but as a subsidy from the government and paid by all people.

Q I am not quite clear why the Board should not, in your opinion, actually raise the rates to rates it thinks equitable.

A Because of the national interest. The same national interest that established these low rates may still be there.

MR. COVERT: Q. You take it in three steps. As I understand it you say first that they should find out

what it costs.

A That is right.

Q Or what a fair rate would be?

A That is right.

Q Secondly they should determine whether it is in the national interest?

A That is right.

Q To keep a low rate?

A That is right.

Q And third if they so find then there should be a subsidy?

A That is right.

Q If it were found that the rate was low then you think it should either be done one way or the other, either raise it or leave it as it is and subsidize it, but you would really be in favour of repealing all of these so-called statutory rates and leaving matters of that kind in the hands of the Board of Transport Commissioners?

A Yes, sir.

Q And on this basis of common understanding and so on, and what you really say here is that since the rate was put into effect in 1897 fifty-two years have passed, costs have gone up and it should be investigated? Common sense says so?

A That is right.

Q That is your position?

A Yes.

Q Would you suggest that should apply only to grain rates? Do you think there are other low rates which should

be investigated in the asame manner?

A Yes, I think so. I believe there are other low rates.

Q Have you any in mind?

A I would suggest, on another basis, the schedule A rates.

Q In other words, they were set in 1907.

MR. EVANS: They have been increased with all the increases.

THE WITNESS: They have taken a portion of the increase, but I think the bases of them are still to be proven. In other words, I do not think the competitive factors, or whatever went in there to make those low rates, exist today.

MR. COVERT: Q. That is, if they were low when they were set, and if the competition has changed, the subsequent increases have not taken care of the matter compared with other rates?

A Yes, I think so.

Q That is your position?

A Yes.

Q I think Mr. Evans' suggested that these Schedule A rates could not be increased without the approval of the Board. What you say is that since they were far lower than the distributing rates in the west the railways should have asked for more than a 21 per cent increase in the case of the Schedule A rates?

A If the competitive factors have disappeared.

Q You say as far as the rail element of competition from the United States that has disappeared, and that

leaves truck and water competition left.

A Yes - wait a minute. I don't think truck competition entered into those if they were established in 1907.

Q No. As to truck and water competition have you any views or any knowledge as to that in the east? Are you prepared to express an opinion as to whether or not truck and water competition is great enough to keep the Schedule A rates so much lower than the distributing rates in the west?

A You keep bringing trucks into this. I would say if trucks were put under the jurisdiction of a proper board that it would do a lot to eliminate that particular type of competition.

MR. EVANS: May I help you? There is no truck competition in those rates and there never has been.

THE WITNESS: You notice I mentioned P & D tariffs which are motor compelled rates, and are again lower than the Schedule A rates.

COMMISSIONER ANGUS: We will have to adjourn now.

--- The Commission adjourned at twelve noon until 2.30 p.m.

Vancouver, B.C.
June 29, 1949

AFTERNOON SESSION

HH

2955

Mr. Bolton

-- On resuming at 2:30 p.m.

Mr. G. R. BOLTON, Recalled

MR. COVERT: Q. Mr. Bolton, on page 6, in the last paragraph of the middle section, you deal with the costly navigable waterways, and you say that some form of tax should have been placed on these services. Are you recommending that such a tax or toll should be placed on the canal system today?

A. Yes. There should be some levelling there in order that the railways are not forced to meet competition, possibly, from waterways which were built with taxpayers' money.

Q. Do you know whether or not there is any agreement with the American government with respect to some of those?

A. I understand that there is.

Q. And possibly that prevents the tax or toll?

A. That is possible.

Q. I wondered if that is why you refer to the past rather than make a recommendation for the future?

A. Quite so.

Q. I want to take you back, for just a minute, to the early part of your brief, where you summarize the comparison of Newfoundland with Vancouver. Have you any figures, at all, on the income of the people, by way of comparison?

A. You mean, from the standpoint of their standards of living?

Q. Yes?

A. No. I would assume that Vancouver is higher; at least a portion of it.

Q. Have you worked out, at all, the situation between the two, as far as natural resources are concerned, based on population?

A. No, not any more than just the figures I have under the economy heading.

Q. In connection with this establishment of a minimum rate, is the idea of the minimum rate to meet the cost of service or to meet competition?

A. It is to meet the cost of service.

Q. And on the point of cost of service, perhaps you are not in a position to elaborate what you mean on that; you just mean all costs?

A. That is right, all costs.

MR. O'DONNELL: Including a reasonable profit.

MR. COVERT: Q. Perhaps something similar to the method used by the Public Utilities Commission, which it used in figuring rates for trucking in this province. Are you familiar with that?

A. I am not too familiar with it. I do think that we have better control of our rates than any place in Canada. I think you have to walk before you run. Undoubtedly we shall better our position still further in that line.

Q. And on page 7, the paragraph before the last, it would seem that you feel there is a lack of power in the B.T.C. to set minimum rates, and that there is a lack of control over motor carriers, and that these two items constitute a major factor in bringing about inequality and lack of uniformity in the rate structure in Canada today?

A. I believe they create a hazard and that there is the

possibility of unremunerative rates today.

Q. If you started out by having a uniform mileage scale, and based other rates, such as class rates, on it, this would go a long way towards the desired uniformity and equality throughout the country, would it not?

A. That is right.

Q. And you say that it is your opinion that the accomplishment of these three things would go a long way towards that uniformity?

A. I believe so.

Q. You believe that those are the three principal factors, in your opinion, in rate inequality today?

A. Yes.

Q. And you feel that such things as constructive mileage and statutory rates should be abolished?

A. Yes. They should certainly be investigated under present day conditions.

MR. O'DONNELL: Q. It has been suggested at different times that before a new rate could be initiated or an old rate changed, particularly with respect to a competitive or a commodity rate, that the matter should be submitted to the Board of Transport Commissioners for their consideration. Have you any views on that matter? You do a lot of shipping, I take it, or your organization does. You are practical traffic people?

A. I would not subscribe to that.

Q. You would not subscribe to it?

A. No.

Q. You feel it would delay business and the ability of the shippers to get their shipments out and handle their traffic?

A. Yes, sir.

Q. Would you care to elaborate on that, at all?

A. I feel there are always shippers who have large shipments; there are always emergencies arising in which you wish to reach a market, possibly within a set time and within a range of rates that you are able to pay; and the traffic personnel of the shipper would have to have the ability to negotiate rates directly with the carriers.

Q. And quickly?

A. And quickly.

Q. And get an answer as to what the rate could be, in order to take advantage of a given market?

A. That is right.

Q. And you think, therefore, that there is an advantage in not having the restriction, so long as it is within the ceiling and over the floor that you mention, and that there should be freedom of action between the shippers and the railway?

A. That is right. And I would go so far as to say that, possibly, the time has come to review the situation in Canada as to whether we should have reparations.

Q. Would you want reparations to work both ways?

A. Absolutely.

Q. And if the railway rate was found to be too low, then the rate, if established, should be retroactive?

A. Yes.

Q. And, in order that there should be reparations, it should be a matter which worked both ways?

A. Absolutely.

Q. And if the railways had overcharged on a rate, they

would return the money; and if they had charged too little for the rate, then there should be a retroactive effect given to them, just as in the other case?

A. I would agree with you.

Q. That is fair enough, thank you.

THE CHAIRMAN: Are there any other questions?

COMMISSIONER INNIS: Q. I am not sure about the page, I think it is on page 5; no, page 4, you say: "We would humbly submit that the Crows Nest Pass Agreement....", and two paragraphs above that you say:

"We would ask what better inducement"..... Could one infer from that that you were, perhaps, favourable to a Maritime Freight Rates Act in the west comparable to that which exist in the east?

A. No, sir, I do not advocate subsidies. We do not want them in the west and we see no reason why they should be applied elsewhere.

Q. But if it is politically inexpedient not to remove the Maritime Freight Rates Act in the east, do you feel that there ought to be a Maritime Freight Rates Act in the west?

A. No. I would still want my rates to come from the Board of Transport Commissioners.

Q. That is to say, this enormous advantage does not mean anything in particular?

A. No. I do not think so.

Q. And on the second to the last page, you say that, "Another factor that leads to these low remunerative rates".....have you discussed the whole problem of amendment to the British North America Act that would be necessary to carry that out, particularly

your last sentence?

A. You are dealing with a minimum rate?

Q. You further contend that some governing body should be placed in control of motor transportation?

A. You say that it would require a change in the British North America Act?

Q. I assume that it would; and I wondered if you had given any attention to the problem which would arise as to the federal control over motor transportation?

A. No, I have not, no.

THE CHAIRMAN: Are there any further questions?

MR. FRAWLEY: Q. Was this brief, then, prepared in ignorance of the fact that, to require a province to turn over its control of intra-provincial traffic might require an amendment to the British North America Act?

A. No, I am not in ignorance of that. But this Commission is in a position to make recommendations to meet this situation. It is up to them whether it should be done.

Q. Well, let us say, the brief was prepared without much consideration of the fact?

A. That is possible.

THE CHAIRMAN: Are there any further questions? If not, thank you very much, Mr. Bolton.

MR. COVERT: Mr. Chairman, before we proceed with the next brief I was going to say that there is going to be a change in the order of the briefs. But before taking up the next one, Mr. Sinclair has stated that he wishes to make a statement in order to carry out an undertaking he made yesterday to the Commission.

MR. SINCLAIR: Mr. Chairman, yesterday I said that I would ascertain how the grain off the N.A.R. was moved, at volume 15, page 2767. I have now secured that information. I have been instructed that the grain off the N.A.R. moves via the Canadian National and Edmonton, until such time as there is required equalization of tonnages; and then, in that relatively minor item, it is equalized with the Canadian Pacific.

MR. FRAWLEY: Would you mind amplifying that, and telling us what the expression, "equalization of tonnage" -- requiring equalization of tonnage, means?

MR. SINCLAIR: As I stated yesterday, grain off the Canadian Pacific in the Edmonton area was turned over to the Canadian National and pulled to Kamloops and then turned back to the Canadian Pacific. But grain off the Canadian National in the Calgary area was turned over to the Canadian Pacific and drawn by the Canadian Pacific up to Kamloops where it was turned back to the Canadian National. The relative tonnages moving on those two movements are brought into equalization by the transfer of tonnages off the N.A.R., but the comparison makes the movement off the N.A.R. move mostly by Canadian National via Edmonton.

MR. FRAWLEY: Thank you, Mr. Sinclair.

MR. COVERT: Mr. Chairman, there are one or two people from out of town with briefs; and it has been suggested that the next submission be No. 6 on the agenda, that of the Surrey Co-Operative Association. Mr. Creelman?

MR. B. G. CREELMAN, Called. Examined by Mr. Brazier.

MR. BRAZIER: Q. Mr. Creelman, what is your position with the Surrey Co-Operative Association?

A. General Manager.

Q. And the Surrey Co-Operative carries on its operations in the Fraser Valley?

A. That is right.

Q. And you have a brief which you wish to present to the Commission; so would you please proceed to read it into the record.

MR. CREELMAN:

Mr. Chief Commissioner and Honourable Members of the Board:
The Surrey Co-Operative Association is a co-operative owned by the farmers of the Lower Fraser Valley who are engaged in the production of dairy, poultry, and hog products mainly, with some vegetable and grain growing as well. There are over three thousand, three hundred members, 95 per cent of whom are farmers, and they purchase their feed, hardware, groceries, meats, and petroleum products co-operatively.

There are two main points our Association would like to present to the Commission which have a definite economic effect to the disadvantage of the farmers in the Lower Fraser Valley, and to which the Surrey Co-Operative Association asks the Commission to give earnest consideration when making their report to the Government of the Dominion of Canada.

(1) We request the establishing of the same rate on feeds used for domestic consumption as now pertains to feeds for export.

There has been a discrepancy on certain feeds between export freight rates and domestic freight rates from Prairie points to British Columbia ports for many years, and the farmers of British Columbia, who are dependent on these feeds to a very large extent in the cost of production of poultry, dairy and hog products, ask the removal of this injustice by lowering the domestic rate to equal the export rate on these feeds.

There is nowhere else in Canada where this situation exists as the export and domestic rates on feed moved from the Prairie Provinces east are exactly the same.

There are actually three freight rates charged on feeds

coming into the Vancouver area from the Prairie Provinces and we will use Edmonton or Calgary to Vancouver as the basis of these comparisons.

Domestic rate based on C.P.R. tariff W849 - $41\frac{1}{2}$ ¢ per 100 lbs.

Domestic rate based on C.F.A. " 145 - 30¢ per 100 lbs.

Export rate based on C.P.R. " W778 - 20¢ per 100 lbs.

The domestic rate applies on all feeds used domestically which will not qualify to come under C.F.A. Tariff 145.

C.F.A. Tariff 145 provides a $11\frac{1}{2}$ ¢ reduction from the domestic rate under C.P.R. Tariff W849 on certain feeds if they are to be used in a certain manner by the consumer, and if they are of low quality in certain cases, and if they are used in this manner and milling in transit rates are not applied. For example:

Wheat-Grades No. 1 Hard, No. 1 Northern, No. 2 Northern, No. 1 Garnet, and No. 2 Garnet cannot be shipped on C.F.A. Tariff 145.

Millfeeds cannot be shipped under C.F.A. Tariff 145 if milling in transit rates have been used.

Export rates based on C.P.R. Tariff W778 applies on these same feeds in the same box cars over the same railroad from the identical shipping points and unloaded at the same destination as far as the railroads are concerned. When they render comparable service as above, going east from the Prairie Provinces, they charge comparable rates. The farmers in the Lower Mainland of British Columbia object to the unjust discrimination against them as compared with other parts of Canada.

Our Association covers only a fraction of the Lower Fraser Valley area and the following figures are only covering

the Surrey Co-Operative Association's operations, consequently, are only a fraction of the amount involved in the whole area affected, but I have quoted these to show you that it has a very definite effect on the economic well-being of a large section of the people of Canada. Our Association imported from the Prairie Provinces during the year 1948, thirty-one thousand and thirty-two tons of poultry, dairy and hog feeds from the Prairie Provinces, and the difference on the export and domestic rates based on C.F.A. Tariff 145 would amount to sixty-two thousand and sixty-four dollars (\$62,064). However, all of the above tonnage was not brought in under C.F.A. Tariff 145 as part of it could not qualify for C.F.A. Tariff 145 and the domestic rate under C.P.R. Tariff W849 had to be used, so if the export rate applied, the difference would have been actually greater.

As the volume of grain shipped to Vancouver or New Westminster for export is greater by far than the volume shipped to this area for domestic use, we feel that as the service rendered is exactly the same, that the railroads should drop the domestic rate to the export rate.

(2) Our Association, on behalf of the farmers of the Fraser Valley, further request that terminal rates be granted all Fraser Valley points.

There are only certain points in the Fraser Valley now enjoying terminal rates and these points are either on the main line of one of the Trans-continental railways or have two railroads servicing them. For example:

"Abbotsford, Clayburn, and Huntingdon are not on the main line of either of the Trans-continental railways but are served by the B. C. Electric Railway and a branch line of the C.P.R. and any feed coming to these points via C.N.R. must be shipped in over either B.C.E. or C.P.R. lines, and while these points enjoy terminal rates, we in Cloverdale, twenty-three to thirty miles closer to New Westminster, pay a three cents (3¢) per 100 lbs. differential. Chilliwack, Mission, and Fort Langley, being on the main lines of the C.P.R. or C.N.R. enjoy terminal rates."

We believe there is discrimination against certain areas because of these areas not receiving terminal rates.

The Lower Fraser Valley is becoming important as an industrial area as business such as manufacturing, wholesaling, and warehousing tends to decentralize and move out from Vancouver and New Westminster, and we request that the Lower Mainland be zoned to grant the same freight rates covering an area which is serviced by competitive firms regardless of their location in a given zone.

We appreciate the opportunity of presenting our case to the Commission and ask that you give these two points your consideration because we believe they have a definite economic effect on this section of Canada.

The above is respectfully submitted.

MR. BRAZIER: Q. Mr. Creelman, in the first place, I presume that you do not hold yourself out as a rate expert at all?

A. That is right.

Q. And it has just fallen to you to present this on

behalf of the Association because you are the General Manager?

A. That is right.

Q. Now, on page 2 when you are speaking there in the paragraph numbered (2) of terminal rates, you are not speaking there, I presume, of terminal rates in their technical sense, but rather the general rates to the terminal areas of Vancouver and New Westminster?

A. That is right; I am speaking of the terminal rates that apply to feed to Vancouver and New Westminster, that is right.

Q. These places that you mention, just for the information of the Commission -- Abbotsford, Clayburn and Huntingdon, and Chilliwack, Mission and Fort Langley -- they are all in the same general area?

A. The same general area, the Fraser Valley, that is right.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Creelman, what you are saying, dealing with terminal rates, is that New Westminster for instance would pay the rates which you show on the first page of your brief, the $41\frac{1}{2}$ and 30 cents and -- well, those are the two, two domestic rates, $41\frac{1}{2}$ and 30 cents. New Westminster, for example, and Abbotsford and Clayburn and Huntingdon would pay rates of that kind, but you at Cloverdale must pay more

A. That is right.

Q. Three cents more?

A. Per hundred pounds.

Q. Although the distance travelled is not any greater?

A. Well, I would say the distance from east to west is not any greater than Fort Langley. It is all in a given zone, though, you see, and it does not entail any more -- we happen to be a little closer to New Westminster than Abbotsford, I would say 23 miles possibly, but I do not think we are any closer to Westminster than Fort Langley.

Q. Then why does Abbotsford get the New Westminster rate?

A. Because there are two lines servicing it, the B.C. Electric as well as a branch line of the C.P.R.

Q. So, regardless of whether it is more miles to traverse from the origin, it gets the terminal rate, because there is competition there between the railways?

A. I expect that is the answer.

Q. Well, we will let the railways carry it on from there. Now, on page 2, when you are speaking of some of the feeds which you import not being able to qualify under tariff 145, it means that you did have to import some feeds, some grains, from the prairies at the $41\frac{1}{2}\phi$ provided under C.P. tariff W849.

A. That is right.

Q. Now, could you tell us or could you find out what percentage you were required to import at $41\frac{1}{2}\phi$ as against the percentage which you were enabled to import at 30ϕ under C.F.A. tariff 145?

A. I could not get that accurately to-day -- I could get it accurately within a day or two -- but I can give you an estimate. Mill feeds principally come the domestic rate -- bran, shorts, millings.

Q. When you say the domestic rate, the full domestic rate:

A. The full domestic rate.

Q. $41\frac{1}{2}$ cents.

A. $41\frac{1}{2}$ cents; and the reason they come is because milling in transit has been applied by the millers of those mill feeds, and they ship it on that basis.

Q. They ship it on the straight domestic rate of $41\frac{1}{2}$?

A. Yes.

Q. Now, how important is that in the industry which you represent, in the feed industry

MR. SINCLAIR: He does not represent the feed industry; he represents a co-op.

MR. FRAWLEY: Well, he is in the feed industry, in any event.

THE WITNESS: It is quite important to our Association. I would say possibly 20 per cent of our imports would be mill feeds, of those figures; that is just an approximation.

Q. So that as to the figure of 31,032 tons which you imported in 1948, about 20 per cent would have to come on the $41\frac{1}{2}$ cent straight domestic rate?

A. Approximately, yes,

Q. And you would be able to get 80 per cent on the lower rate of 30¢ which is provided under C.F.A. tariff 145?

A. That is right. Those are Vancouver rates. We had the 3-cent arbitrary.

Q. Yes, but I mean dealing with Vancouver rates..
Thank you.

MR. SINCLAIR: To save time, Mr. Chairman, I would like to defer most of my cross-examination with regard to feed grains until the brief of the Feed Manufacturers' Association is presented to the Commission; but there are a few questions, two or three, that I would like to ask Mr. Creelman.

CROSS-EXAMINED BY MR. SINCLAIR

Q. On page 1, Mr. Creelman, of your brief, in the third paragraph under point 1, you state:

"There is nowhere else in Canada where this situation exists as the export and domestic rates on feed moved from the Prairie Provinces east are exactly the same."

Now, I suggest to you, Mr. Creelman, that that is incorrect, as the domestic rate on grain to the ports of St. John and Halifax is 55¢ and 59¢ respectively over the Fort William rate, while the export rate all-rail is 36¢ in the summer and 42¢ in the winter over the Fort William rate to both ports; did you know that?

A. I am not a rate expert, and I perhaps did not know that, but I would assume possibly that is right, because it is very much further away, but the rate from the prairie point we will say to Fort William, whether it is for export or domestic, is the same; that is really what I meant.

Q. Quite so; and that is because of the Crows Nest Pass agreement and the historical position of that rate, while the low export rate to British Columbia was a concession which made the port of Vancouver, in the words of Mr. Greer, and which was conceded, which was ordered by the Board of Transport Commissioners ---

MR. BRAZIER: You say it was conceded; I think it was granted after a very bitter fight.

MR. SINCLAIR: I changed that word, Mr. Brazier.

THE WITNESS: The point that we make is this: the farmers in the Fraser Valley are not receiving the same treatment as the farmers in the east. I do not know what the cause of it is, whether it is the Crows Nest Pass or that it is -- I am not familiar with that -- but we do know that they are not afforded the same treatment as the farmers in the east.

MR. SINCLAIR: . What you are saying is that you think the domestic rate and the export rate should be the same, in spite of the fact that the Board of Transport Commissioners on the application of your Association went into the matter very, very thoroughly, and found, after a full hearing, and in the exercise of their discretion, that such treatment was not warranted?

A. Yes, we did not agree with it.

Q. Now, you spoke of mill rates to my friend Mr. Frawley, and that shipping on milling transit rate is a choice of the shipper; that is correct, is it not?

A. I expect it is.

Q. Now turn to page 2 if you would, Mr. Creelman. There is a point here I find just a little difficult to understand. You say that your Association, if you had the domestic rate and the export rate at the same level, would save \$62,064; now, I suggest to you that you would not save that at all, because you have a subsidy that applies of 30¢ a hundred, and the effect of equalizing the domestic and export rates as far as you were concerned on the large majority of your feed would be to reduce the

amount of the subsidy and not result in any saving to your Association?

A. I do not think I said our Association would save that amount of money. I said ---

Q. "Our Association", and so on, "would amount to".

A. Yes, but I did not say we would save it.

Q. I see; that was not the inference

A. No, not at all.

Q. I see; you were just looking after the Government's money?

A. If you can assure us that the Government will continue to pay that indefinitely, why, we will be very happy.

Q. Well, maybe you don't need it any more, Mr. Creelman; that is something for the Government to decide. By the way, when you raise that, the railways were very kind to you too, were they not, and gave you $11\frac{1}{2}\%$ reduction?

A. Tariff 145.

Q. Yes?

A. That is right.

Q. That is correct. Now, will you just go down to your second point, where you are dealing with these terminal rates. I suggest to you that Abbotsford, Clayburn and Huntingdon do not receive terminal rates -- that the reason why you may have come to that conclusion is that the mileage rate makes lower than the terminal rate to those points; is that not right?

A. I do not know, Mr. Sinclair, whether that is right or not. I know that they receive the same rates as Vancouver and Westminster.

Q. Yes, but I suggest to you that the reason for that is that the mileage rate makes lower?

. I doubt it, but I do not know.

Q. Well, my information from our traffic officers is that that is the explanation for those points. Now, I would also suggest to you that terminal rates only apply on terminal traffic and intermediate points on terminal lines, because of the provision in the Railway Act regarding the long-haul-short-haul principle; is that right?

A. I do not know.

Q. I am instructed that it is. Now, there is one other point in here. You talk about your arbitrary at Cloverdale or your excess at Cloverdale of 3¢ a hundred. Now, I suggest to you, Mr. Creelman, that point being served by the B. C. Electric, that there is a two-line haul involved and that the Canadian Pacific or the Canadian National connecting with the B. C. Electric or any other line has to have a division of the revenue, and therefore there is normal in rate-making a higher rate on a two-line haul than there is on a straight line; did you know that

A. It does not apply to Abbotsford, Huntingdon and ---

Q. But they are joint points; I am talking about Cloverdale, your point; you said Cloverdale there?

A. I do not know whether the revenue is based on that 60¢ a ton; I do not believe that is the basis on which the two railways divide that revenue.

Q. Oh, quite so; it may be that the Canadian Pacific or Canadian National have to give more to the B.C. Electric than the 3¢, but the principle is that on a two-line haul the rate is always higher than on a straight-line haul, because of the division of revenue?

A. Well, it is not on those other points; I did not know that it was, if it is.

Q. Well, they are competitive.

MR. O'DONNELL: There is no competition involved at Cloverdale.

MR. SINCLAIR: No; Cloverdale is a local point on the B. C. Electric.

Those are all the questions I have on this, reserving my other questions until a later time.

MR. O'DONNELL: I have no questions, my lord, other than to say that this whole matter has been reviewed several times by the Board, and it might be helpful to the Commission if I should just indicate the three cases (among others, I think) in which it has been discussed.

In the Province of British Columbia versus the Canadian Freight Association, 30 C.R.C. 393; in the General Freight Rate Inquiry, which will be found reported in 33 C.R.C. at 127 and following; but especially in 43 Canadian Railway Cases at page 97, where this co-operative submitted its own case to the Board, and in which it is fully discussed. There is just one paragraph in the headnote which might be of use to the Commission. It is the Board's judgment rendered on the 3rd of January, 1935, and part of the summary in the headnote reads as follows:

"The matters involved in these applications have previously been dealt with by the Board."

Then it goes on:

"The Board has repeatedly ruled that a lower rate on export traffic is in itself no evidence of unjust discrimination, provided that the local rate is a reasonable one. In the absence of unjust discrimination or undue preference prohibited by the Railway Act, its function is to ascertain the

reasonableness of the rate; and it is beyond its powers to attempt to equalize geographic, climatic or economic conditions. It has been recognized that there is no necessary relation whatever between domestic rates and export rates. The primary test of domestic rates is whether the rate be reasonable and fair. Whether unjust discrimination in rates exists depends upon the particular facts and circumstances found to exist in each case."

I have no other questions.

MR. COVERT: No questions.

THE CHAIRMAN: All right, thank you very much.

MR. COVERT: The next submission is that of the British Columbia Federation of Agriculture.

C. HEADEY, called

EXAMINED BY MR. BRAZIER

Q. Mr. Headey, you are representing today the British Columbia Federation of Agriculture?

A. That is right.

Q. And in what capacity do you serve in that organization?

A. As a director.

Q. And you were appointed chairman of a freight rates committee that was formed recently; is that correct?

A. Yes, very lately.

Q. Just recently?

A. Yes.

Q. I presume you do not hold yourself out as a rate expert in any way?

A. No; I am just a farmer.

Q. Would you proceed to read your brief into the record?

A. Mr. Chairman and gentlemen:

The British Columbia Federation of Agriculture is a farmers' organization embracing all branches of agricultural production, including the dairy farmers, the beef cattlemen; hog, sheep and poultry producers; field crop, fruit, vegetable and seed growers; with a membership of approximately 15,000. It is also the Provincial section of the Canadian Federation of Agriculture. The main activities of the British Columbia Federation are to present the views of organized primary producers to governments and other public agencies and authorities. This includes submissions on taxation and legislation of all kinds affecting agriculture, but particularly marketing legislation. It also carries on a broad program of educational and informative services by mail and through the press and the farm radio forum. This program is designed to interpret the views of organized agriculture to the general public, and no other organization is better qualified to do this. It will be understood that organizations such as this Federation do not possess the means nor the personnel to make exhaustive studies of transportation problems, important though they are. It is proposed, therefore, that in this presentation we shall confine our observations more or less within the scope of the Commission's first term of reference, namely, "review and report upon the effect, if any, of economic, geographic or any other disadvantages under which certain sections of Canada may find themselves in relation to the various transportation services therein and recommend what measures

should be initiated in order that the national transportation policy may best serve the general well-being of all Canada."

(Page 2981 follows)

The importance of rail transportation to British Columbia cannot be over-emphasized, as it is practically the sole means of transportation both for incoming and outgoing commodities of all kinds, and it is essential for future development. Being situated on the Pacific coast we have a great geographic disadvantage which, under the present principle of rate making, places a heavy handicap on the primary producer, and has been further complicated by a freight rate structure considerably higher than that prevailing in eastern Canada and which we submit is discriminatory. One of our main complaints is the high domestic rate on grain and grain products brought in from Alberta. To illustrate this point, at the present time the domestic rate from Calgary to Vancouver is $41\frac{1}{2}$ cents per hundred pounds, while the export rate on the same grain is $20\frac{1}{2}$ cents, and the distance from Calgary to Vancouver is 640 miles. On the other hand, the rate for grain from Calgary to Fort William is 26 cents per hundred pounds, both export and domestic, and the distance between these points is 1,242 miles, a difference of 602 miles in the length of haul. This undue discrimination on such an essential product as grain, increases the cost of living in British Columbia and also creates higher production costs, thereby retarding development. We submit that in all fairness this regional differential ought to be removed by applying the export rate to all grain and grain products entering British Columbia, whether for domestic use or for export. That would then remove the discrimination we complain of and would be comparable to the rate as applied to Fort William.

Another aspect of this problem is the vast difference between the tonnage exported from all British Columbia custom ports and the tonnage consumed in British Columbia as shown in the following table:

Wheat Exports for the Calendar Years 1947 and 1948
from all British Columbia Customs Ports

12 months: Calendar Year, 1947: 1,613,884 tons: *
12 months: Calendar Year, 1948: 1,259,444 tons: *

*Source: Bureau of Economics and Statistics,
Trade Division.

Domestic Consumption of Wheat in British Columbia for
Calendar Years 1947 and 1948

Year, 1947: 191,594 tons: *

Year, 1948: 193,066 tons: *

*Source: Dominion Bureau of Statistics
"Summary of Monthly Traffic Reports."

For the calendar year 1947, it is noted that the export exceeded the domestic consumption by 1,422,290 tons and for 1948 the difference was 1,066,378 tons. The reduction in 1948 is accounted for in part by the disruption of rail transportation for a two month period due to floods in the Fraser Valley. For the crop year commencing August 1, 1948 to May 31, 1949, 1,248,000 tons of wheat have been exported through the port of Vancouver alone.

To get complete figures for one year on the import of feed grains, it was necessary to go back to the fiscal year ending March 31, 1946, and the figures taken from the annual report of the Agricultural Supplies Board, Dominion Department of Agriculture, show: 63,276 tons of oats: 29,938 tons of barley and 63,779 tons of mill feeds were imported into British Columbia from April 1, 1945 to March 31, 1946. It is safe to assume that approximately

the same quantities came in during subsequent years, as the livestock population has remained about stationary. The point we wish to make is that the domestic consumption of these grains and grain products is approximately 20 per cent of the total exported in 1947 and is approximately 25 per cent of the total exported for 1948 and it is very difficult for us in British Columbia, taking into consideration the low rate on grain moving eastward, to believe that the railways haul all that grain for export without profit.

With respect to local rates from interior points, such as Kamloops, Westwold, Armstrong and Vernon to Vancouver and the Fraser Valley, these points are from 250-300 miles from Vancouver and the prevailing rates for grain are from Kamloops - $24\frac{1}{2}$ cents per hundred pounds; Westwold - $26\frac{1}{2}$ cents; Armstrong - $27\frac{1}{2}$ cents and Vernon $29\frac{1}{2}$ cents. Again taking the rate from a prairie point, such as Winnipeg, to Fort William, a distance of over 400 miles, the rate is 14 cents per hundred pounds. In view of the difference in both rates and mileage, this Federation believes that a downward revision of these local rates to make them comparable to the rate from Winnipeg to Fort William is warranted, so as to place grain growers in the interior of British Columbia in a position comparable to the position of the grain growers in the Prairie Provinces.

Another rate that we maintain is too high is the express rate on poultry newly-hatched to four weeks of age. Express rates were increased early this year and the rate applied to poultry as above is $1\frac{1}{2}$ times first class

rate. British Columbia has been shipping a large volume interprovincially for a number of years as the following figures show:

Total of Day-Old Chicks Shipped from British Columbia to the Threee Prairie Provinces for 1947, 1948 and 1949

January 1 - May 31, 1947: 2,191,105 Chicks*

January 1 - May 31, 1948: 1,177,901 Chicks*

January 1 - May 31, 1949: 1,650,670 Chicks*

In addition to these chicks, shipment of turkey poults for the same years total 37,963 in 1947; 92,226 in 1948 and 73,151 to April 30, 1949.*

*Source: Dominion Department of Agriculture.

These chicks are shipped in stout cardboard boxes which allow them to be piled up in a small space at least five tiers high. On the other hand, cut flowers are light and bulky, taking far more space than do shipments of chicks of the same weight. The flowers are also more susceptible to damage if the containers are piled to any height, yet are carried at first class express rate. We submit that baby chicks and turkey poults should also be carried at first class express rate instead of $1\frac{1}{2}$ times that rate.

Respectfully submitted by the British Columbia Federation of Agriculture.

MR. BRAZIER: Q. Mr. Headey, I am advised by the Traffic Officers of the Canadian Pacific that certain of the rates you show on page 3 are not quite correct. I presume you are quite willing to have the corrected ones put on the record?

A Certainly; I might say I got those rates from a C.N.R. agent.

Q You have not had time to check them?

A No.

Q Some of them happen to be C.P.R. points. The C.N.R. is quoting higher rates for the C.P.R. so they can get the business. Mr. Chairman and members of the Commission, the corrected rates are as follows - this is in the second paragraph on page 3 - the present rate from Kamloops is 26 cents a hundred and on July 1 that rate becomes 23 cents.

COMMISSIONER INNIS: What is the rate on July 1?

MR. BRAZIER: Twenty-three cents. Westwold is now $27\frac{1}{2}$ and will be reduced to $24\frac{1}{2}$. I suppose we should have that confirmed by the C.N.R. The present rate from Armstrong is 30 cents, and it becomes 26 cents. The rate from Vernon is now 30 cents and it becomes $26\frac{1}{2}$ cents.

CROSS-EXAMINATION by MR. FRAWLEY

Q Mr. Headey, I want to ask you two or three questions about the rate on domestic grain. What you are pointing out in your brief is that the rate on domestic grain from Calgary to Fort William, a distance of 1,242 miles, is 26 cents?

A Correct.

Q And the rate on domestic grain from Calgary to Vancouver, a distance of 640 miles, is $41\frac{1}{2}$ cents under the regular tariff, the regular tariff being C.P.R. tariff W849, or 30 cents if you can use C.F.A. tariff 145. Is that right?

A That is right.

Q You are calling attention to two other groups of rates, and you call attention to the fact that the rate from Kamloops to Vancouver which is about how many miles --

MR. BRAZIER: The mileage there is 250.

MR. FRAWLEY: Q. 250 miles -- that the rate from Kamloops to Vancouver, again speaking of domestic grain, will become 23 cents on the 1st of July?

A Yes.

Q And that the rate from Winnipeg to Fort William is 14 cents?

A That is right.

Q As I understand it, Mr. Headey, you are calling the attention of the Commission to these disparities in the face of the fact that the regulatory board, the Board of Transport Commissioners, has said, as Mr. O'Donnell has indicated in the cases, that this is not unjust discrimination?

A That is what I had in mind, regardless of what the Board of Transport Commissioners has ruled.

Q Apart for the moment from the rulings of the Board of Transport Commissioners, you are asking the Commission to examine into it and, if they see fit, to make certain recommendations to the Governor in Council with respect to these disparities to which you are calling their attention today?

A That is correct.

CROSS #EXAMINATION BY MR. SINCLAIR

Q Are you aware of the fact that domestic rates on grain within western Canada are considerably higher than

the rates under the Crow's Nest Pass agreement?

A No.

Q You did not know that?

A No.

Q You have made a comparison with Fort William.

When I was examining the last witness I pointed out that was on account of the Crow's Nest Pass agreement, and I also asked him about the other maritime section of Canada, the Atlantic Maritime section, as compared to the Pacific Maritime section. I suggest to you also that there is a difference between the domestic rate on grain in the Atlantic Maritime section just as there is in the Pacific Maritime section?

A That may be correct. I did not make any statement in respect to that at all.

Q That is fine. I did not know that you were aware of it. You refer to the rate on domestic grain used in livestock feeding from Calgary to Vancouver, $41\frac{1}{2}$ cents per hundred pounds. I suggest to you that that rate is completely absorbed through two concessions, first the concession of 30 cents a hundred pounds that you receive from the federal government, and the concession of $11\frac{1}{2}$ cents that you receive from the railways, so that in fact on grain moving for feed from Calgary to these points in British Columbia farmers are not paying any freight rate whatsoever, or any transportation cost whatsoever. That is correct, is it not?

A In the first place I widened that to include all grain and grain products, not just feed. I said all grain and grain products.

Q But you do not feed No. 1 hard to pigs, do you?

A I understand --

Q Would you mind answering that? You do not feed No. 1 hard to pigs, do you?

A No, but some No. 1 hard is consumed in British Columbia.

Q Oh, quite so, but then you are dealing with live-stock feeding, are you not?

A I happen to represent an agricultural body, and I happen to be a farmer myself, but in the brief as set out I take all grains and grain products. In respect to tariff 145, that has been of considerable assistance since it was put into effect. No one disagrees on that point. The other matter you refer to, of course, may come to an end some day like other good things, and when it does we will be paying that much more money.

Q You are quite prepared to give up all the subsidies that you had for equalization east and west? Is that right?

A We will have to give up subsidies in any event, and I believe equalization would be a good thing for the country as a whole and British Columbia as well.

Q Now, the domestic grain rates in the west compared to the Crow's Nest level for 420 miles are 30 cents for the domestic rate and 14 cents for the Crow's Nest rate. I want to place that on the record. There is one other question.

MR. FRAWLEY: Would you mind giving us the tariff number?

MR. SINCLAIR: I have not got it handy. We will give it to you.

MR. EVANS: C.P. Tariff No. W849 for the domestic rate.

MR. FRAWLEY: Thank you.

MR. SINCLAIR: Q. Mr. Headey, you know that when the recent increase was allowed the railways domestic grain rates in the west were not increased?

A Yes.

Q While domestic rates in the east were increased? Did you know that?

A I did not know that.

Q And the reason ascribed by the Board of Transport Commissioners was so that there would not be too much of a difference between the export level and the domestic level, and the small volume moving, and therefore they did not grant any increase on domestic grain, although it was applied for by the railways. You knew that, did you?

A I knew that it was not increased. I anticipated that the increase might have an effect but it was not increased.

Q Are you a farmer, Mr. Headey?

A Yes.

Q I presume your costs of operation have increased substantially, have they not?

A Yes, quite a lot.

Q And I think you would be prepared to say that the costs of operation of all businesses have increased very substantially since 1897?

A well, let me see now; I would not remember very much about 1897 myself. I would have to just take a guess

on that.

Q But in your experience, which takes in quite a few years, expenses of operation have very materially increased?

A Well, in the last six years particularly, not prior to that.

Q Not prior to that?

A Not in 1939 or 1940 or 1941.

Q In the last six years your costs of operation have increased substantially?

A Yes.

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Headey, I take it your association is affiliated with the Canadian Federation of Agriculture, is it not?

A Yes, it is a provincial body.

Q You say on page 1 of your brief that your organization does not possess the means and personnel to make exhaustive studies of transportation problems. I take it that you know ^{Mr.} Hannam in Ottawa, and that he and his statisticians and experts have quite extensive facilities for making those studies?

A They have added to them recently, yes.

Q They keep up to date on all matters of transportation and agricultural prices and all that kind of thing, and they advise you and report from time to time?

A That is what they are supposed to do but until recently, just the last two or three years, it has not come through very fast.

Q With the airmail service now maybe it will come faster.

A It might be better.

Q I take it you would agree that, in so far as the farmers of British Columbia are concerned, there has been a considerable growth in the value of their products, and in their production in the last fifteen or twenty years?

A Oh, yes, there has been quite an increase.

Q In fact, I think last year was the all-time high, was it not?

A Possibly not in volume; it would be in dollar value due to inflation.

Q I should like to record at this point a short extract from the forty-third annual report of the Department of Agriculture, the latest one, 1948, at page R22. In the report of agricultural statistics, G. H. Stewart, Agricultural Statistician, the following appears:

"Synopsis of agricultural conditions in British Columbia, year 1947.

The agricultural production of the province of British Columbia reached its highest level of all time in the year 1947. The gross value of production is estimated at \$134,508,415. This is an increase of \$16,516,343 or 13.9 per cent over the revised total for the preceding year. Increases are recorded in the value of farm animals, eggs, poultry, meat, dairy products, small fruits, vegetables, potatoes, grains, fodders, honey and hops. These increases are in part offset by decreases shown in the value of wool, tobacco, seeds, apples and other tree fruits."

MR. BRAZIER: What year is that?

MR. O'DONNELL: That is for 1947 but I have the 1948 as well. In exhibit 36, page DD-26, it would appear that the alltime high of 1947 was to be exceeded in 1948, because the 1948 figure, the estimate for 1948 total value of agricultural production is \$145,000,000, which is somewhat in excess of 1947, which was \$134,508,400; and this, in turn, was considerably higher than 1946, which was \$118,588,777; so that, for these last three years at least, there has been a very considerable increase in the value of production, in agricultural production, in British Columbia.

MR. BRAZIER: That 1948 figure is just a preliminary estimate.

MR. O'DONNELL: Yes, I indicated to the Commission that it is only an estimate.

THE WITNESS: I would agree that the dollar value is higher but not the net to the farmer.

MR. O'DONNELL: Q. That is something else again. You have had wage increases out here, your help is costing you more?

A. Oh, yes.

Q. And the commodities you use have increased as well, and your net has, therefore, gone down?

A. Yes. And we have had to overcome that by mechanization as much as possible.

Q. But the other western provinces we visited indicated their situation was such that there had been an increase both in the value of production as well as in the

amount of it. Your value has gone up?

A. And the volume has gone down in some lines, very definitely.

Q. But dairying has gone over pretty well in British Columbia in the last few years?

A. I would say that that has been due mostly to the wartime demand. That has been a great factor in expansion here.

Q. But in 1947 - there was an increase in 1947, and that was two years after the war. Again, I would refer you to the Report of the Department of Agriculture at page R-26 where there appears the following:

"The total value of dairy production in 1947 is placed at \$25,588,000, as compared with the revised total of \$20,290,000 in 1946, an increase of \$5,298,000 or 26.1 per cent. Higher fluid milk and butter-fat prices in 1947 were largely responsible for this gain."

Livestock prices were also better, were they not?

A. Yes.

Q. Considerably?

A. Yes, since about 15 months ago.

Q. The report says that, generally, prices were very good under the heading of "Livestock."

A. But that was all due to the inflation during the last few years. We have now reached a peak from which we must come down.

Q. But through the years, in so far as the railways are concerned in the matter of getting your products to the market, they have done that, and your industry has progressed

and prospered. With that, generally speaking, you can agree with me?

A. Yes, it has progressed; and the service rendered by the railways has been very good.

Q. I was sure you would agree. Now I have nothing other than to indicate that the balance of the brief, or a major portion of the brief is similar to that of the City Co-operative; and I just explained the reason why there was a difference between the export and domestic grain.

MR. COVERT: Q. I understand that the rate on baby chicks is $1\frac{1}{2}$ times the first class. That is uniform throughout Canada. You are not suggesting there is any difference here?

A. No, it is the same all over.

Q. And the market for those baby chicks is, generally, the west, that is, the prairie provinces?

A. That is right, the three prairie provinces and our province.

Q. That is due, chiefly, to the fact that you are limited to 48 hours travel, pretty well?

A. Yes.

Q. And so it is not a question of competition with the east at all?

A. Not in the west, no.

Q. You just think that the $1\frac{1}{2}$ times first class rate is too high a rate, that is all?

A. On some small shipments that rate is practically 25 per cent of the cost of the chicks.

Q. It costs you about 4 cents per chick?

A. On small shipments.

Q. And the cost price of the chick is about 18 cents?

A. Yes.

THE CHAIRMAN: Are there any other questions?

If not, I thank you, Mr. Headey.

MR. COVERT: The next brief will be No. 7 on the agenda, that of the British Columbia Lumber Manufacturers Association. The change in the order is to ensure that people coming from out of town will not have to stay over an extra day. Mr. Robson?

MR. J. G. ROBSON, Called

MR. COVERT: Q. Mr. Robson, have you given your full name to the reporter?

A. I gave him my initials, James. G. Robson.

Q. Would you tell the Commission your position with the British Columbia Lumber Manufacturers Association?

A. I am Chairman of the Freight Rates Committee of the British Columbia Lumber Manufacturers Association.

Q. And that association is comprised of the companies which are listed on page 9 of the brief; is that correct?

A. No. On page 9 of the brief there are three other organizations joining with us in this brief, and I am submitting it on behalf of the four organizations.

Q. Will you kindly proceed to read your brief?

A. Mr. Chairman, and members of the Royal Commission: The following statement is presented to the Royal Commission on Transportation appointed under Order-in-Council P.C. 6033 of July 29, 1948, by the undersigned organizations representing manufacturers and shippers of over 90 per cent of the lumber and lumber products produced in the Coast Region

of British Columbia.

This statement deals with only one phase of the Canadian transportation problem on which the Commission has been instructed to report and as set out in the following term of reference:

"(b) Review the Railway Act with respect to such matters:

As guidance to the Board of Transport Commissioners in General Freight Rate Revisions, Competitive Rates, International Rates, etc., and recommend such amendments therein as may appear to them to be advisable."

The undersigned organizations further respectfully request that they may be permitted to amplify or make such additions thereto as may seem advisable at public hearings which, we understand, are to be held by the Commission in Vancouver on June 28th and 29th.

Specifically and briefly the statement and recommendations submitted herewith to your Commission are as follows: That the Railway Act of Canada be amended forthwith by the inclusion of definite provisions for the guidance of the Board of Transport Commissioner in all revisions of general freight rates, competitive rates, international rates, etc., limiting such rate adjustments as appear justified on basic commodities, such as lumber and lumber products in such a manner that disruption of established market patterns in the national transportation structure is precluded for the benefit of the general economic well-being of Canada.

We believe that revision of the Railway Act of Canada

in this respect would result in minimizing the distortion of established rate structures by such inequitable freight rate increases as were granted to the railways under the recent award of the Board which became effective April 1st, 1948, and that instead, when and as general freight rate increases are found justified, rate adjustments will in future be granted along similar lines and on the same principle as those governing decisions of the Interstate Commerce Commission in the United States for increases in lumber rates on American railway lines.

We believe that such guidance to the Board of Transport Commissioners is in the public interest for the preservation of established market patterns and will under substantially similar circumstances and conditions be fair in its application to all regions for the freest possible interchange of important commodities having due regard to the needs of basic industry.

In support of these recommendations we would point out that the lumber trading pattern of the Coast Region of British Columbia is governed by a relatively unfavorable geographic location. 60 to 70 per cent of the lumber and lumber products produced in the Coast Region must be transported long distances to markets outside the province by rail or water. These markets, both domestic and foreign, are subject to the full force of either international competition or competition by production from regions in Canada on short haul.

Rail transportation costs from the British Columbia Coast Region, therefore, assume a relative importance immeasurably greater than from other competing producing

regions for the bulk of our product, and also as a source of high revenue freight to the Railways. The lumber freight rate structure was the outcome of many conferences and agreements over long periods of years between representatives of shippers and the railways. Many decisions of the Board of Transport Commissioners have attested to this fact. These rates were not built up on a mileage basis but were designed to preserve a fair rate relationship between producing and consuming areas, and the differentials long established are of paramount importance to the B.C. Lumber industry.

We would point out that as a result of these conferences between the shippers and the railways in past years many competitive seasonal and other special rates were established embracing exceptions designed to secure for the railways high freight revenues on long hauls and enable shippers in British Columbia to service important markets in Eastern Canada.

On the next page I am afraid that when we drew this up we were so familiar with our subject that we didn't put in all the little "ifs" and "ands" that we should have. So, with your permission, I shall fill them in as I go along.

In 1934 competitive seasonal rail rates were established by the Canadian Railway Association on construction timber 4 X 4 and larger from the British Columbia Coast during open navigation to Montreal, Quebec, Sorel and Three Rivers, being a reduction from normal rates of 90 cents per 100 lbs. on a (Here, I want to add: / 50,000 pounds minimum) to 50 cents on an 80,000 lbs. minimum and on dressed lumber a rate of 75 cents per 100 lbs. minimum weight 60,000 lbs. In 1936 the 50 cent rate was increased to 60 cents and continued at

this level until 1939.

Competitive rail rates were also established well over 20 years ago, below normal on mine timbers to Quebec and Ontario points of 70 cents on 80,000 lbs. mixed Fir and Cedar and 75 cents on 60,000 lbs. minimum for Fir, 70 cents on Cedar, with a minimum of 80,000 lbs. and 75 cents with a minimum of 50,000 lbs. These a rates were raised in 1938 by 5 cents per 100 lbs. and revised again in 1940 to 83½ cents with a 50,000 lb. minimum. These mining rates were cancelled on September 15, 1948.

The object of these seasonal and mining rates was to meet waterborne competition and to encourage greater volume shipments by rail to Ontario and Quebec mining and industrial users. Records show substantially increased rail shipments to Eastern Canadian points on these competitive and seasonal rates. Many of the arguments advanced both by the Canadian Railways and the producers in British Columbia at the hearings of the Board in March and April 1935, file 26901.62, justifying these seasonal competitive rates, are as valid today as they were when the Board refused the application of our Eastern competitors to have these competitive rates disallowed.

In 1939 on the outbreak of war, the 60 cent rate on construction timber was discontinued. The Canadian Railways, therefore, have already secured a substantial increase in rates, 60 cents to 90 cents per 100 lbs. and increased revenues as a result. In respect to mine timbers, a flat percentage increase will inevitably encourage the use of local round timbers from which the Railways get little or no revenue.

These established rates were the result of direct negotiation and it is the earnest desire of the Lumber industry that provisions of the Railway Act continue to enable conferences to be conducted in the future between shippers and the railways to mutual advantage of each, free, however, from arbitrary or discriminatory rate revisions inimical to the public interests.

It is the firm conviction of our industry that the 21 per cent flat percentage increase in fact has already resulted in serious losses to West Coast producers in the Canadian rail market and in view of the new application of the Canadian Railway Association now before the Board of Transport Commissioners for a further flat increase of 20 per cent in freight rates, we would urgently petition your Commission to recommend that action on this application be suspended pending the findings and recommendations of your Commission.

The disruption of the existing market pattern as a result of the 21 per cent increase is illustrated in the following tables:

MR. COVERT: I do not think, Mr. Robson, it is necessary to read those all in; they will be copied into the record.

(A) ACTUAL RATE INCREASES

LONG HAUL RATES in cents per 100 lbs.

	<u>Old Rate</u>	<u>New Rate</u>	<u>Increase</u>	<u>Equivalent increase in \$ per thousand.</u>
B.C.Coast to Toronto.	.88 $\frac{1}{2}$	1.07	.18 $\frac{1}{2}$	\$5.36
Edmonton to Toronto	.78	.94	.16	3.20
Prince Albert to Toronto	.65	.79	.14	2.80
LePas to Toronto	.63	.76	.13	2.60

SHORT HAUL RATES

N.Ontario to Toronto	.25	.30	.05	1.60
Que & N.B. to Toronto	.27	.33	.06	1.20
Nova Scotia to Toronto	.33	.40	.07	1.40

(B) RATE DIFFERENTIALS

DISCRIMINATORY EFFECT OF FLAT 21% INCREASE

Old Differentials (before 21% increase) Between the short haul 25¢ rate, N.Ont. to Toronto & long haul rates from other producing regions.	New discrim- inatory differ- entials es- tablished be- tween 30¢ & long haul rates.	Increase in differ- entials.
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in cents per 100 lbs.

B.C.Coast to Toronto	.63 $\frac{1}{2}$ ¢	.77	.13 $\frac{1}{2}$
Edmonton to Toronto	.53	.64	.11
Pr.Albert to Toronto	.40	.49	.09
LePas to Toronto	.38	.46	.08
Que.& N.B. to Toronto	.02	.03	.01
Nova Scotia to Toronto	.08	.10	.02

MR. COVERT: Q. Now, if there are any comments that you want to make on them at this time, please do so.

A. Well, perhaps I could take just a couple of highlights from page 6, the actual increase in rates for instance between B.C. points to Toronto, the old rate of $88\frac{1}{2}\phi$ and the new rate of \$1.07, the increase $18\frac{1}{2}\phi$, equivalent in freight on lumber to an average of \$5.36; that is tapered down from Edmonton and Prince Albert to Le Pas, but it is in relationship to the market being served at Toronto from the eastern territory, one differential, rather the new increased rate runs down to \$1.60, \$1.20 and \$1.40. Then the balance of that sheet, the differentials -- and when we speak of differentials our point is that from the B.C. coast to Toronto is $63\frac{1}{2}\phi$ greater freight rate than from Northern Ontario to Toronto -- we start off with a $63\frac{1}{2}\phi$ disadvantage. Under the new rate that differential becomes 77ϕ , the increase in differential $13\frac{1}{2}\phi$, and the others in proportion go on down.

Continuing to read after the table:

It will be noted that the inherent geographic disadvantage of producers located on the Coast Region of British Columbia was $63\frac{1}{2}\phi$ per 100 lbs. as expressed in the differential between the old rates from the coast, $88\frac{1}{2}\phi$, and the short haul rate of 25ϕ from Northern Ontario to the Toronto market. As a result of the recent 21% increase this differential has been increased $13\frac{1}{2}\phi$, to 77ϕ per 100 lbs., being the difference between the new coast rate of \$1.07, and the new short haul rate of 30ϕ . Expressed in dollars per thousand, the new differential is \$25.03 against a previous differential of \$20.67 per thousand.

The distortion resulting from a flat percentage

increase in freight rates is, therefore, obvious discrimination against B. C. long haul compared to short haul rates. Such distortion destroys the historical differentials on which the industry was founded and continued until the percentage plan of advancing rates took place. This distortion will obviously be compounded as price levels in principal domestic markets recede and the natural geographic disadvantages thereby disproportionately increased.

Interstate Commerce Commission, U.S.A. - Consideration of this important factor in the freight rate structure of U. S. Railways is an integral part of the policy of the Interstate Commerce Commission in the U. S. in respect to freight rate revisions.

During 1947 and 1948, the Interstate Commerce Commission in granting freight rate increases to Class 1 Railways in the United States recognized in all cases the principle of preserving competitive relationships between suppliers of common markets on important basic commodities such as Lumber, Coal, Iron, etc. On these major commodities the Commission authorized either a flat increase in cents per 100 lbs. or a percentage increase, limited to certain maximums in cents per 100 lbs. These exceptions were designed to keep low rated traffic moving, to prevent disruption and maintain market relationships. This plan should have, in fairness, been followed by Canadian Railways for delivery to Canadian points. The Canadian Railways followed the American plan for shipments from here to American destinations.

The total net freight increases authorized by the

Mr. Robson

Interstate Commerce Commission for Class 1 Railways in the United States to date as applied to Lumber have worked out approximately as follows:

On long hauls, say comparable to the Vancouver-Toronto haul, the actual increase in cents per hundred lbs. is approximately one-half increases granted on short hauls comparable say from Northern Ontario to Toronto. In this way established competitive differentials for different producing regions have been essentially maintained with a minimum disruption to long established market patterns.

Attached to this memorandum is the following supporting data:

- (1) Chart showing Distribution of Shipments from British Columbia Coast Mills to the Domestic Market for the years 1928 to 1948 inclusive.
- (2) Table showing the Total Production of Coast Mills in Millions of feet Board Measure, for the years 1938 to 1948 inclusive, with the Distribution of Shipments to Rail Markets in Canada and the United States and Waterbourne Export.
- (3) Distribution of Shipments from the Coast Region of British Columbia to the Canadian Domestic Market by Provinces for the year 1948 in thousands of feet board measure, equivalent to 495 thousand tons of freight hauled out of the Province.
- (4) Graph showing old and new freight rates to Toronto market from competing regions.
- (5) Graph showing actual increases in cents per 100 lbs. from competing regions to Toronto markets.

Respectfully submitted,

BRITISH COLUMBIA LUMBER MANUFACTURERS
ASSOCIATION

President J. M. Edwards

WESTERN LUMBER MANUFACTURERS ASSOCIATION
OF CANADA

President J. E. Wellburn

B. C. WHOLESALE LUMBER & SHINGLE ASSOCIATION

President F. J. Poole

CONSOLIDATED RED CEDAR SHINGLE ASSOCIATION
OF B. C.

President J. Earl McNair.

MR. COVERT: Now, there are charts and tables with the brief. The charts are not all numbered, but for the purpose of the record those will be Exhibit No. 38. I think perhaps schedules 1, 2, 3, 4 and 5, starting with "Annual Distribution of Shipments" -- that will be schedule 1. The next one is, I think, marked "Table No. 1"; that will be schedule 2.

MR. O'DONNELL: There is a graph that goes with the distribution of shipments.

MR. COVERT: Well, they must be arranged in different order in your brief from what they are in mine.

MR. FRAWLEY: Preceding chart 4 is a table of some kind.

MR. COVERT: On page 8 of the brief is mentioned a chart showing distribution of shipments; that is No. 1, so I would suggest we call that schedule 1.

The next one is a table showing the total production of coast mills in millions of feet board measure. That was called Table No. 1; we will call that schedule 2.

Then the third one is the distribution of shipments from the coast region of British Columbia to the

Canadian domestic market; that will be schedule 3.

The fourth one is the graph showing the old and new freight rates to Toronto markets from competing regions; that will be schedule 4.

The fifth one is the graph showing actual increases in cents per 100 lbs. from competing regions to Toronto markets; that is schedule No. 5.

Those are all Exhibit 38.

EXHIBIT NO. 38 -- Five schedules to brief of
British Columbia Lumber
Manufacturers' Association.

MR. COVERT: Perhaps it might be convenient if I asked Mr. Robson a few questions first, in an endeavour to clarify the brief.

EXAMINED BY MR. COVERT

Q. On page 2 of your submission, Mr. Robson, where you make the recommendation that adjustments in freight rates should only be made in such a manner that disruption of established market patterns should be precluded for the general economic well-being of Canada, is it fair to state that you are speaking first on behalf of people engaged in lumber and lumber products, because that is a business with which you are familiar, and you are not in a position to say this should or should not apply to basic industries generally, but you would think that it should apply to basic industries? As far as you are concerned, you are not taking one view either one way or the other?

A. It would appear that what would be good for one basic industry would be good for another, provided it was on solid ground.

Q. Now, I think you mention in the next paragraph the principles applied by the I.C.C. I believe that the

I.C.C. of the United States has a special class for such basic commodities as lumber, coal, iron ore, petroleum and petroleum products, sugar, aluminum, building materials, iron and steel products, and that what you have in mind is that your principle should apply to basic commodities of this kind if the principle were adopted generally; is that correct?

A. Correct.

Q. When you refer to market patterns, you have in mind the market pattern existing at the time that any proposed change in freight rate is made?

A. Yes, except that if the previous market pattern had been upset, such as did happen in connection with the 21% flat freight rate, then disruption created at that time should also be taken into consideration.

Q. That would be a market pattern that was destroyed by a freight rate, as distinguished shall we say from a market pattern destroyed by war or ---

A. Oh, no; we are talking about freight rates.

Q. Yes, that is right. Are you also talking about your domestic market pattern as distinguished from an export market pattern?

A. The rail market, purely the rail market in Canada.

Q. So you are confining your remarks really here to the domestic market?

A. Domestic market.

Q. Mr. Robson, I gather from your submission that what you really have in mind is the least possible disturbance in the differential existing between various competing areas in Canada?

A. Increased freight rates always have a tendency to

upset market conditions, but to a degree they have not been avoidable and may not be avoidable, but what we are anxious about is that in making adjustments on freight rates they do not destroy our relative position. In other words, as is shown on one of our patterns here, on one of these charts, the differential between Northern Ontario and Toronto is 5¢, while our differential is now 18½¢, on top of already a very much higher freight rate.

Q. That is schedule 5?

A. Schedule 5.

Q. Of Exhibit 38. And that is your point, as I understand it, of what you would call an injustice of a flat percentage increase?

A. Yes. Presumably the freight rate structure existing prior to that took into account distances and other factors. Then when you come to change that, to increase it on a percentage basis, it throws us definitely out of line in the market pattern.

Q. And you suggest that some similar method as was used in the U.S.A., where they put a limit in cents per 100 lbs. ---

A. They started off, the first increase in the American roads started off, with a flat increase, I have forgotten the percentage, but on lumber that increase was limited to 10¢ a hundred, and that 10¢ a hundred started them from the coast to as far as Montana; from there on there was a flat 10¢ increase instead of up to a 20¢ increase. That pattern has largely been maintained throughout the adjustment on lumber rates in the United States, and we petitioned the railways here, in fact in this room we made representation exactly along the same line as we are doing now, that any

increase that was made should be made in such a manner as not to disrupt our relative position, and we pointed out that the Canadian railways are a party to the American tariffs on which this very thing exists. We could not see and we cannot see yet why the Canadian roads as parties to the American tariff and parties to the thing that we think is being done right down there oppose it here. However, we approached them and they said, "Sorry, Joe, there's nothing doing."

Q. Now, you say in effect that the decisions of the B.T.C. have recognized your position in the past.

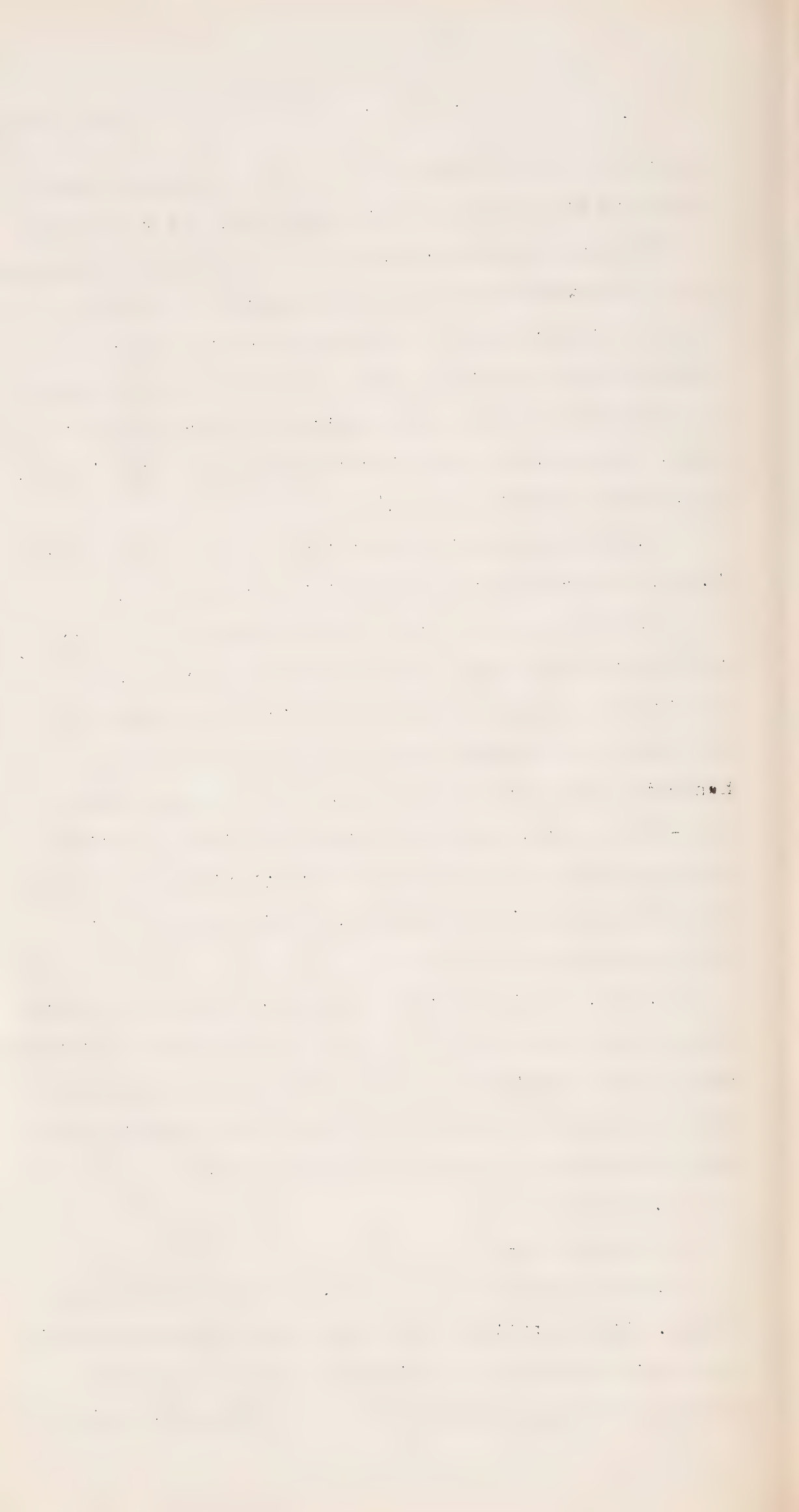
A. We do not feel that any hard and fast rule can be laid down that there shall be no differential. We realize that there is some justice in a real short haul not having been raised the same number of cents per ~~hundred~~ as an extremely long haul would be, but on the over-all picture, this is a matter of raising additional revenue, and so far as it can be spread uniformly across the entire trade in the country, within reason, that seems sound and fair to us.

Q. Now, dealing with the question of market pattern, I think that your position is that you can easily establish what a market pattern has been; for example, if you would turn to Schedule 3 of Exhibit 38, you would say that that shows the market pattern for the year 1948?

A. Correct.

Q. Perhaps ---

A. May I suggest sir, though, that that shows total volume. Market pattern also has to show the relationship of certain commodities to finding a market in an area that they have previously served. For instance, ordinary



house-building lumber from British Columbia was sold in substantial quantities in Ontario particularly for a number of years, and has now pretty well disappeared from the picture, because the increase in freight rates shoved us just over the corner. For a number of years we were able to get certain of our commodities into the Ontario market on a very narrow competitive basis. The increase in freight rates has upset that. We have already lost a lot of business in Ontario that we had over a good many years.

Q. That is, the 21% increase?

A. The 21% increase did the trick.

Q. Is that what you are referring to on page 5 of your brief, in the second paragraph, where you say:

"It is the firm conviction of our industry that the 21% flat percentage increase in fact has already resulted in serious losses to West Coast producers in the Canadian rail market . . ."

Is it things of that nature to which you refer?

A. Any increase, as I mentioned before, has a tendency to destroy a market, but if that increase is not made on a uniform competitive basis, that is destruction.

Q. Now, did you bring any statistics comparing how your lumber industry has progressed since the 21% increase, with the lumber industry of the other provinces?

A. I do not think, with the present market condition and the vacuum in eastern Canada, or the vacuum throughout the whole of Canada for that matter, that lumber would permit any proper pattern as to what has happened, because the stocks of lumber throughout the whole of North America were very low up until a matter of a few months ago,

and as these pockets are filled up, and as new industrial and power developments and many different things are undertaken, you might show that actually the number of cars hauled from British Columbia to Ontario and Quebec during the last eighteen months was as great as any other period. That does not prove that that is a market demand; it is a vacuum that is being filled.

(Page 3029 follows)

Mr. Robson

Q As a matter of fact, I believe that perhaps the car loadings may have increased in number?

A Quite possibly.

Q But you say that is because of this vacuum?

A Then too one of the places I mentioned in my brief was in the mining industry in Ontario and Quebec where British Columbia enjoyed a very substantial trade for a good many years. We have been losing out in that market because of the increased rates. One of the greatest competitors is round timber which is available locally and on which neither the railroad nor the British Columbia lumbermen get anything. In many cases a small differential throws the business one way or the other. We want to eliminate discrimination as far as is humanly possible.

Q I take it your position is you do not want any special favours due to any economic or geographic disadvantages, but you do not want any economic or geographic disadvantages --

A Multiplied.

Q Multiplied by virtue of flat percentage increases. You say they are wrong in principle and something should be done in the nature of what was done in the United States to preserve that market pattern?

A Correct.

Q There is one question I did want to ask. Have you any figures on what has happened to relative prices in Ontario and British Columbia with respect to lumber?

A I am sorry, I have not. You mean the lumber prices of Ontario production. No, we have no figures. Besides at the present time there is quite a disturbed

market and you probably would have several sets of prices.

MR. COVERT: Thank you very much.

CROSS-EXAMINATION by MR. FRAWLEY

Q You said you had a market for house lumber in Ontario on a very narrow margin?

A Right.

Q And your competitors there were from what areas?

A Both local and Alberta.

Q You mean local Ontario and Quebec?

A Yes.

Q And Alberta?

A Yes, and all the Prairie Provinces.

Q When you say Edmonton you mean Edmonton, Prince Albert and the Pas?

A The whole of the northern part of the Prairie Provinces.

Q I was looking at your chart.

A We are using basic points.

Q You say the 21 per cent increase just pushed you out of that market. That is what you say?

A Yes.

Q You have lost that?

A I say any unbalancing of competitive conditions pushes you out of a market, and the relative position today of the new freight rates, not only the differentials, but the new freight rates, has caused us a loss in Ontario.

Q That is true, but I mean to say you did state as a fact that the 21 per cent increase, and other recent freight adjustments had just succeeded in pushing you out

of that particular market. That was your business on house lumber in Ontario?

A Right.

Q To whom did you lose it? Were others pushed out at the same time?

A I do not presume so. Certainly the local fellows would not be, the Ontario and Quebec producers. Whether Saskatchewan, Manitoba and Alberta lost a little I could not say. Again we have got disturbed market conditions.

Q You don't know whether the increases of which you are complaining may have had the same effect in the Edmonton area and the Prince Albert area?

A They could not have exactly the same effect because their rates are not nearly so high.

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Robson, were you here when Mr. Bolton gave his statements to the Commission this afternoon?

A No, not this afternoon.

Q There have been suggestions put forward that, before any rate can be changed or varied, the matter should be submitted to the Board of Transport Commissioners. Would you agree with that type of situation, or do you not prefer to have what you already have, the opportunity of discussing rates with the railways and agreeing on a rate which can be put in and given effect to without any delay?

A That is about three questions in one.

Q You answer it any way you want, cut it up as you please, and say anything you wish. You were not here when Mr. Bolton testified so I was trying to help you.

I am sorry I was not. Fundamentally we prefer to sit down with the railways, as we have been doing for the last forty years, and discuss our own rates. We think we can work out something to good advantage. We do not like to see what happened, a flat 21 per cent increase which really did upset the apple cart.

Q That is something else, but ordinarily in everyday business you prefer a system whereby there is flexibility and whereby you can go to the railways and say, "we would like a rate to such and such a point" or, "we have the opportunity to get into such and such a market. What will the rate be and what are the conditions"? You prefer that system rather than one whereby, having had your chat with the railways, they or you would then have to communicate with the Board of Transport Commissioners and wait until they had gone into it.

A Quite.

Q And the market may have disappeared in the interval?

A Not necessarily. That is a two-edged sword.

Q Which do you wish, a system whereby you get --

A You cannot get a straight answer out of me on that one because that is not a fair question. You ask me whether I prefer to discuss things on a certain basis, and then you tell me that is no good, that the business has disappeared. I should like to point out that there is a medium course on which we can get together, and I think it is desirable for both of us.

Q What is the medium course?

A There is no necessity that there should be delay in it being submitted to the railway commission. If the lumber industry and the railways agree that certain things should be done for their mutual advantage then, as has been done in the past, we can submit it to the railway commission and get their blessing on it.

Q All I am trying to get at is whether you want the rate not to go into effect until the Board has had an opportunity to go over it, or whether you want it to go into effect and be able to act on it without the delay that would be entailed in going to the Board?

A So far as I know these rates have never gone into effect without having the blessing of the Board.

Q Let me ask you this question. Let me have your view as to whether you agree or disagree with this statement. The suggestion is that before a new rate is initiated or an old rate changed, particularly of the commodity or competitive type, the railways should satisfy the Board of Transport Commissioners of the necessity and profitability of any such proposed rate. Do you agree with that suggestion or do you disagree with it?

MR. FRAWLEY: Whose proposal was that?

THE WITNESS: Does the shipper not get any consideration in a picture of that kind?

MR. O'DONNELL: Q. I don't know; I am just asking.

A Well, I decline to answer the question then.

Q Since the 21 per cent increase went into effect your chart, Schedule 1 of Exhibit 38 shows that your shipments to the east have risen, as a matter of fact?

A Quite right.

Q And in the year 1949 they continued to go up?

A Quite possibly. I explained the vacuum that existed, but may I point out that as far as railway records are concerned I believe the railways include American rail shipments that go through eastern exit points as lumber shipments from British Columbia.

Q I am not talking of railroad records. I am taking your own statement, Schedule 1 of Exhibit 38.

A Yes.

Q On your own figures they have gone up?

A O.K. We have still a vacuum to fill, and an enormous amount of heavy construction going on.

Q But you have still been able to ship east, and have shipped more east than you did in the years 1946, 1947 and 1948. It is still going up?

A Do not forget that for a number of years we were compelled to take care of an enormous amount of war business.

Q That is true, and everybody else was.

A Sure, exactly.

Q As I understand it your suggestion is that there should be maximum increases on lumber when rate increases are accorded to the railways?

A Yes, there should be some pattern that does not upset the relative position.

Q If there is a maximum increase on your product do you think that the general public would agree to your having a low increase, and having to have greater increases for everybody else in order to get the required revenue?

A May I ask whom you represent, please?

Q It does not make any difference whom I represent. I am asking questions, and whether I represent one or another or nobody does not make any difference.

A It might make a difference to my answer.

Q I represent the Canadian National Railways, and I remember you very well. Two years ago we had a very interesting half hour or so. That being the case what is your answer to what I asked you?

A Well, I am afraid I will have to answer that by pointing out to you that the Canadian National Railways is a party to the American tariffs which is presumably not unfair to the American people.

Q That is not quite the question I put. The question was do you think the general public would agree to your having a low restricted rate fixed by a maximum and that everybody else should have to have a greater general increase in the circumstances to pick up the loss in revenue?

A I do not think that is necessarily the way it would work out.

Q You spoke of the American situation. Have you looked into that one ratewise?

A Some.

Q The rate from Vancouver to Winnipeg was $56\frac{1}{2}$ cents in August, 1939. You remember that?

A Yes.

Q As a result of the 21 per cent increase it went up to 67 cents?

A Sixty-eight.

Q Well, sixty-eight. The rate from Seattle to

St. Paul, comparable to the rate from Vancouver to Winnipeg, was $65\frac{1}{2}$ cents in 1939. Have you looked into that rate today?

A You will pardon me not answering your question directly. They are very clever questions, but in not answering them directly I am in this position. I have got to go back to our brief. What we are complaining about is a change in rates that destroys a market. Whether the rate to Minneapolis is ten cents less than it is to Winnipeg does not alter the fact that the last change that affected us in lumber did upset the applecart.

Q I am putting it to you, I am pointing out that the Canadian situation, on the arrangement under which the increases were granted, is more favourable to the lumber industry than that which prevails in the United States. I was merely indicating to you the change in the situation, Seattle to St. Paul in August, 1939, being 65.5 cents, and on January 11, 1949, as a result of these various American increases, and the maximum to which you have made reference, it was 94.6 cents, the situation being much more favourable in Canada?

A The rate from Seattle --

Q Seattle to St. Paul-Minneapolis.

A Is what?

Q 94.6 cents, ex parte 168, January 11, 1949.

A I have not got any tariffs here but I would like to read them.

Q All right. I take it that you also know that the rate from Vancouver to Toronto in 1939 was $88\frac{1}{2}$ cents?

A Right.

Q And today is \$1.07?

A Right.

Q Whereas the rate from Seattle to Buffalo, which is a comparable distance, was 82 cents in 1939 and today is \$1.16 cents, with the maximum provision that was put into force by the I.C.C.?

A We are still not talking about changed rates. We are talking about changed differentials.

Q Let us go back to the situation as to whether or not you think that the general public would agree to your getting a maximum rate which would result in the general increases of everybody else being higher percentagewise?

A I don't think I have to answer that question.

Q All right, you are a free man. You can say and do as you please.

A You are trying to get me in a spot where I won't be on one side or the other.

Q I am just trying to get from you that what you said about the American situation being more favourable than the Canadian situation is, on a reading of the tariffs, not quite the fact.

A I am speaking on a disruption basis. That was our submission previously.

Q And on your disruption basis you are shipping more into eastern Canada today than before the freight rate increase?

A Not necessarily.

Q Your chart shows it.

A Let me draw your attention - pardon me for tossing this in - may I suggest that you take a look at

that old St. Lawrence deal because the freight rate by rail on timbers to the St. Lawrence ports today is \$36, and the water rate is about \$28. You had better start taking a look at that one.

Q Do you suggest that the railways should continue to meet competition when the competitive conditions change, and that they should continue to meet that competition?

A No, they are their own bosses.

Q That is what I thought, just the way you are. You sell your lumber against a competitor if you choose to do so, and if you do not you do not.

A There are some markets we cannot touch for obvious reasons. The same probably applies to you.

Q Is not the situation with respect to the competitive rail rates you set out at page 4 that the railways may have decided that was a market they could not touch and they discontinued the competition? Is that not fair?

A Quite possibly, **yes**, but who suffers? Both of us.

Q You know that the suggestion was made that the railways should cancel a lot of the depressed rates and collect what the just and reasonable rate fixed by the Board was. You are aware of that fact?

A Well, we would pass it, but may I point out too that with a lot of our increased rates - if I may take a moment to give one illustration of what happens with commodity rates that are worked out satisfactorily between the railways and the shippers. At the time the original mining rate came into eastern Canada I personally, along with a number of others, had spent a lot of time on that, and eventually the railways gave us a mining rate. I had been

making representations to them that I knew that there was a substantial amount of mine timber business available in Ontario and Quebec if we could get a small adjustment, an adjustment that would be more than offset by a minimum 80,000 pound load. I happened to be in eastern Canada at the time that tariff came into effect, and before I left eastern Canada I got an additional order from one mine alone for 4,000,000 feet of lumber made available by that tariff. It was 80,000 pound loading. It meant 125 cars of 80,000 pounds minimum loading which the railways never would have got without that kind of rate, and there have been many, many thousands of cars since. That is to our mutual advantage.

Q They gave you a concession?

A They got some business for it.

Q They got business but they gave you a concession in the rate?

A Sure.

Q And ultimately they were told that they should raise all their rates to the ceiling, remove all the depressed rates, particularly where the competition did not justify the rate, and collect the full rate, and that is what they did. Do you complain about that?

A I don't know who told them that.

MR. FRAWLEY: I am on record and I won't say it again.

MR. O'DONNELL: I am on record, but if you want me to give the page of the record where you are on record I will be glad to do it.

MR. FRAWLEY: Let us have the page again and let

us have the speech again.

MR. O'DONNELL: It is 10170. I will refer the Commission to that. They can look and see who asked for that, among others.

MR. FRAWLEY: You won't draw it out of me again.

MR. O'DONNELL: Q. Notwithstanding all you can say about the rate situation, any given rate, we can agree that through the years the lumber business in British Columbia has grown and flourished? I am sure we can agree on that, can we not?

A There are times when we could question even that. As a matter of fact, last year is the first time production has been as high in footage as it has been for a period of about - I don't know whether I have the exact figures here - fifteen years at least since we had as high production as we had last year. In other words, the volume has not increased. It is pushed around and changed a little.

Q The price has gone up so much that the value of the production is practically double what it was in 1946.

A Oh, well, value of production does not mean a thing anyway.

Q In any event, that is the fact according to the report of the Provincial Treasurer.

A In fact the railways ought to know it because they are paying big prices for lumber.

Q That is right. The value of the production in 1940 was \$173,000,000 odd, and in 1947 it was \$282,000,000, and in 1948 it was estimated to be \$360,000,000 odd?

A Of course there has been a tremendous difference in refining. The plywood industry and many other things

have made a big difference in dollar value.

MR. O'DONNELL: Thank you very much.

COMMISSIONER ANGUS: Are there any other questions?

MR. EVANS: I should like to ask a few questions.

CROSS-EXAMINATION BY MR. EVANS:

Q There is one thing that I think perhaps you and I can agree on, and that is that there is no doubt about the power of the Board to give you the kind of relief you are asking for against horizontal percentage increases. You have not any doubt that the Board could give you relief under its powers if it chose to do so?

A I have not any doubt they could.

Q So your suggestion is not that the powers of the Board are lacking; it is the treatment you get from the Board that you complain of?

A We complain that the Board disregarded the market pattern when they made a flat percentage increase covering all rates, for that matter.

Q We are talking about the same thing. It was what the Board did?

A We want the Board to be instructed in such a way that they do not make rates that will disturb market conditions unduly.

Q. Now then, would you go this far: that if the Board came to the conclusion, after hearing evidence as to whether or not in a given case market conditions or relationships were disturbed by a percentage increase, that they still should not have the power to award a percentage increase?

A. Try that one again. I did not get it.

Q. If the Board should hear evidence, and, after hearing evidence, should decide that there was not any disturbance by a percentage increase, would you still say that the Board should still not be permitted to award a percentage increase?

A. Who is going to be the judge of that?

Q. I was just wondering. Some people say it ought to be done by statute.

A. I do not want too much red tape. I would rather sit down across the table from you fellows and fight it out.

Q. I think you and I are going to agree on a lot of things. Now, would you agree with this: That, in order to determine whether there was any disturbance in relationships by a percentage increase, that one would have to consider a change in the price levels of the commodities involved.

A. Price levels are something over which the Railway Commission, or anybody else, has little control. They depend upon supply and demand.

Q. I agree. But price levels are something which might be of importance in considering whether a disturbance in respect to competitors, existed?

A. Only part of the way. The differential created by

a change in the freight rates is the disturber over which we are complaining. But this we cannot complain about. Any lumberman can sell his lumber for what he likes in competition with others.

Q. That may not, perhaps, answer my question. But would you not agree: It seems to me to be obvious, but perhaps it is not obvious to you, that the change in price of the commodity would have a bearing on whether a percentage increase disturbed the relationships, or not?

A. It is bound to have some effect, but, again, you get into something that is not set down in any book of rules.

Q. I agree.

A. You have the competition difficulty?

Q. Yes, and you have to consider a lot of things.

A. Yes.

Q. I do not see where we are apart on that; and I suggest to you that is one of the factors which would be important to consider.

A. On a weak market, the increased differential is a very serious factor. But on a strong market, when everybody is looking for a certain commodity, it does not make much difference. As I say, on a weak market, it certainly does destroy business.

Q. If a commodity sells, let us say, for \$10, and you have to pay a freight rate equal to \$1 in one locality, and a 50 cent freight rate in another, and the price of the commodity does not go up but the price of the rate does go up, then there is a disturbance in cents, which, related to the price, is also a percentage disturbance?

A. Quite:

Q. I am suggesting to you that if the price goes up at least as much as the rate, then, mathematically, the percentage relationship of freight rate absorbed is exactly the same.

A. Oh, Mr. Evans, you have never been in the lumber business. I can see that. These market prices fluctuate tremendously from time to time for different products, to hook in your adjustment of freight rates with what is happening with the market picture so far as price is concerned, because when lumber comes down here, it comes down also in Ontario and Quebec, and you would have to have the railway commission sitting all the time if you handled all freight rates on that basis.

Q. Let me take an example which is simple. Let me take a fellow, let us say in British Columbia, who has an article worth \$10 before any freight rate or price increase. He ships it to eastern Canada and pays a rate of \$1. That is one-tenth of the value of the commodity. Ten per cent is in the freight rates.

Now, his competitor is much nearer to the market, and he is producing the same commodity and selling it in the same market for \$10, but with a rate of 50 cents in his case, as a freight rate, and it absorbs 5 per cent. In other words, you have got a two to one disadvantage in regard to the freight rate in comparison with him?

A. That is right.

Q. Now then, if the freight rate goes up 20 per cent, and the price of the commodity goes up 20 per cent - if you will take a pencil and paper you will find that I am mathematically correct- exactly the same thing happens.

You still have got exactly that two to one relationship.

A. Yes, but what happens when the price goes down?

Q. That is another thing when the price goes down.

But I said if the price remained constant; could you not see where your relationship would not change?

A. You are not talking about the lumber business.

Q. Does your price remain constant?

A. No.

Q. It has gone up a good deal more than 20 per cent?

A. Yes, and it has gone down, too. It is on its way down.

Q. From a pretty high peak?

A. Surely.

Q. But would you not agree that right today prices are a good deal higher than they were just before the war?

A. Nobody is going to dispute that. We have tremendously increased costs. That is another way of saying "yes".

Q. I am just elaborating a little on some of the conditions which might enter into the question as to whether or not there was, in fact, a disturbance of the relationship as a result of the horizontal increase.

A. We cannot get together on that because, in the first place, you are not talking about lumber. You are talking about one item of freight.

Q. I am talking about anything that goes up in price at least as much.

A. Your relationship of freight to the set price of lumber is a tremendously big factor. Certain items, in Ontario and Quebec, they have to get from British Columbia because they are not produced in those other places. A great

bulk of the business is competitive. As a matter of fact, I can, although I have not got the exact records here,

show you how keenly this competitive business is. The average for the 15 years prior to the outbreak of the war was \$1.83 a thousand. Take out your interest and depreciation and you will find you have an awfully thin average market.

Q. I thought the lumber business was more prosperous than that?

A. Oh, you ask some of the banks.

Q. I want to get some information about the kind of products that are chiefly shipped. Are they mostly fir and cedar, or is there a good deal of spruce?

A. There is very little spruce from the Coast. Our Coast Region is . . . fir, spruce and hemlock.

Q. Would you say that the majority of the lumber exported from British Columbia to the eastern part of Canada and for export consists of fir and cedar?

A. Yes, largely.

Q. Is not British Columbia practically the sole source of those particular kinds of lumber?

A. Yes, but for many purposes other species are suitable.

Q. But British Columbia does represent, in fact, the sole real source of fir and cedar in Canada?

A. No. There is some cedar in eastern Canada, in Quebec and the Maritimes. They have a white cedar, but it does not produce the high grade clears, and that sort of thing.

Q. I am talking about the demand for cedar and fir

which is practically all satisfied from British Columbia.

A. Cedar and fir and hemlock are able to compete in Ontario and Quebec. This is not a question of demand. It is a question of competition. In other words, we have to sell our fir and our cedar and our hemlock in competition with local woods produces in eastern Canada and in the prairies.

Q. Cannot we get this far; you and I have done pretty well?

A. I have been pretty stubborn, I am afraid.

Q. That by and large, commercial production of fir and cedar is nearly entirely British Columbia's?

A. That is correct.

Q. Is it not true that British Columbia fir is superior to the white spruce which is produced in northern Alberta or northern Ontario and Quebec?

A. We claim that it is.

Q. Has it not got greater strength, and cannot you get greater sized timbers and larger lumber?

A. Will you get at what you want, and I will answer you. What are you coming to?

Q. I asked you if you have not got some advantage in the quality of your woods?

A. If we did not have, we certainly would not be paying \$1.07 to Toronto, and \$1.09 to Montreal.

Q. But all I wanted you to say was that you had some pretty good products and that they could not be duplicated?

A. We admit that.

Q. You spoke of competition from local round timber. Would it not be fair to put it this way: That you could hardly

expect to get into a local market in competition, freight-rate-wise, with a local product?

A. Well, I am only going to repeat myself by saying that we have lost a lot of Ontario and Quebec mining business from pine timber to round timber in the last two or three years.

Q. You do not blame us for that?

A. I am not blaming anybody. I know of one mine alone with which we have been doing business for years, in Quebec and which normally purchased $1\frac{1}{4}$ million feet per year from me; but this year they bought only three carloads, and the rest was purchased locally because of the short rail haul or the short haul. So, you see, we are both losing that business.

Q. It is not a question that we are losing money, is it?

A. It has been said that you do not know what it costs to haul a ton of freight anyway.

Q. Well, if we do not know, I suggest to you that you do not know either.

A. I will admit that I do not know. I will admit it.

Q. Now then, I gathered that in the early part, I think, of Mr. O'Donnell's cross-examination, you expressed some views about not wanting too much regulation. And a representative for British Columbia proposed a cost-of-service principle to take the place of the present combined cost-of-service and value-of-service principle. Would you have any views about that?

A. I would prefer to sit down across the table.

Q. But let us suppose you had to sit down across the

table, knowing that each commodity had to pay the cost attributable to carrying that commodity. Would you agree that that was - that the value of the commodity was the value of the service rendered, in some respects, for consideration?

A. I am afraid I have got to be evasive, because they charge the same for "oxo"^{beef} / as they do for tender beef. So I am not going to answer you.

Q. You have not got any views?

A. Suppose I have not? A question of that kind could hardly be answered with a "yes" or "no."

Q. I have asked you for your views.

A. Well, I am not going to express them.

MR. EVANS: Thank you.

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THE CHAIRMAN: Any other questions? Thank you very much, Mr. Robson.

MR. COVERT: The next submission, Mr. Chairman, is that of the British Columbia Feed Manufacturers' Association, to be presented by Mr. Alton.

E. J. ALTON, called

COMMISSIONER ANGUS: In view of the short sittings we had this morning, I think the Commission will sit until 5:15 this afternoon and then, in order to make sure of getting through in good time to-morrow, we will meet at ten o'clock instead of ten-thirty to-morrow morning.

EXAMINED BY MR. BRAZIER

Q. Mr. Alton, you are presenting a brief on behalf of the British Columbia Feed Manufacturers' Association?

A. Yes, sir.

Q. What is your occupation?

A. I am traffic manager of Buckerfields Limited.

Q. They are one of the member firms of the Association?

A. That is correct.

Q. And you were requested to prepare and present this brief on behalf of the Association.

A. That is right.

Q. Will you proceed to read it into the record, please?

A. Mr. Chief Commissioner and honourable members of the Board:

The B. C. Feed Manufacturers' Association is a voluntary association representing a membership of 39 members operating 31 plants in B. C. who sell their products to B.C. Farmers, Poultry and Dairymen. We are most

vitally interested in any subject that affects the welfare of the thousands of people engaged in these occupations.

We wish to express our appreciation for the opportunity of presenting this brief to you and hope that it may convey to you our position in regard to the Canadian Freight rate structure.

This brief is not designed as a complaint against the railways or the other transportation media as to any particular discrimination which would reflect in the economic relations of freight rates to the actual movement of traffic.

As British Columbia is not a large producer of grain, we import practically all our grains, millfeed, flour, etc., from the provinces of Alberta and Saskatchewan. As some indication of this volume of traffic, we refer you to the following statement showing quantities on which freight assistance has been paid by the Dominion Government on grains and feeds shipped during the years 1941 to 1949 to British Columbia. This information was supplied by the Dominion Treasury Department.

Q. I do not think you need to read all the figures, Mr. Alton; they will go into the record.

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<u>Fiscal Year</u> <u>October to April</u>	<u>Tons</u>	<u>Money</u>
1941 - 1942	57,906	371,061.65
1942 - 1943	159,104	1,019,538.43
1943 - 1944	246,251	1,577,976.41
1944 - 1945	266,688	1,708,936.70
1945 - 1946	278,767	1,786,399.94
1946 - 1947	325,114	2,083,980.74
1947 - 1948	330,013	2,118,683.46
1948 - 1949	268,300	1,763,293.82

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THE WITNESS: This statement shows only the amount of freight assistance paid on seven articles and does not represent the total freight on these articles, only the amount absorbed. In addition to these commodities the freight charges on the other numerous articles handled by our members would greatly increase the amount of freight they buy from the railroads alone. In addition, we are large users of highway trucks and coastal vessels, therefore, we are interested in all these forms of transportation.

The products we deal in, being mainly agricultural, are produced and consumed in all parts of Canada and, therefore, are very competitive and transportation costs have a great influence in their distribution whether it be by rail, highway or water.

We believe that up to the last few years the ramifications of the Canadian freight rate structure, as it has been built up over practically 100 years, are arranged, even with all its anomalies, to fit into agriculture, trade and commerce to the best extent possible.

We also believe that the time has come with the changing conditions in the various media of transport, such as the proposed Trans-Canada Highway, the St. Lawrence Waterways, etc., and most important the growing up of our nation, that these various forms of transport be made to better serve the people of Canada to the best advantage in their respective fields.

As an illustration of one of the anomalies of the railway freight structure, we offer the following rate comparisons on grain and grain products from the producing areas in the prairies to the various markets.

				Per 100 Lbs.	Per Ton	Earnings per net ton mile
- - - - -						
Medicine Hat, Alta. to -						
Vancouver	817.3 miles	Old Domestic				
		Rate	46¢	\$9.20		1.13¢
		New " "	41½¢	8.30		1.02¢
		Feed Rate	34½¢	6.90		.85¢
		Export Rate	23¢	4.60		.57¢
Ft. William	1074.9 miles	Rate	24¢	4.80		.45¢
Montreal	2069 miles	"	59¢	11.80		.57¢
St. John's, Nfld	3581.4 "	"	1.37	27.40		.77¢
Dawson Creek, B.C. to -						
Vancouver	1265. miles	Old Domestic				
		Rate	55¢	11.00		.87¢
		New " "	50½	10.10		.80¢
		Feed Rate	43½	8.70		.69¢
		Export Rate	30¢	6.00		.48¢
Fort William	1728. "	Rate	38¢	7.60		.44¢
Montreal	2723 "	Rate	73¢	14.60		.54¢
St. John's, Nfld	4234 "	Rate	1.51	30.20		.71¢

Tariff Authority

C.N.R. - W.184-B W.183-D - W.135-G W.100C-C.G.67-2
C.P.R. - W.849 W.819 - W.778 W.100-A-E.400-B
C.F.A. - C.F.A. 145

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THE WITNESS: This, you will see, covers rates from Medicine Hat, Alberta, and Dawson Creek, B.C., to Vancouver, Fort William, Montreal, St. John's, Newfoundland, and is designed to show the rate in cents per hundred pounds and the earnings per net ton mile.

MR. BRAZIER: Q. Would you explain between the domestic rate and the new domestic rate there?

A. Well, I do down a little further as I read.

Q. That is all right; go ahead.

A. Also it gives the tariff authorities.

This comparison shows the same commodity moving Eastbound and Westbound to the different markets and the tolls assessed. It should be noted that on eastbound traffic no difference is made for its use, while westbound to destinations in British Columbia, they do differentiate so, therefore, a word of explanation is necessary.

The term "Old Domestic" is the rates now in effect on grain or grain products for human consumption or any use other than for Livestock Feeding. These rates, after many years, are being changed on July 1st of this year by the removal of the so-called mountain differential which will result in a reduction as shown in the line shown as "New Domestic."

The term "Feed" is the rates in the special Feed Grain Tariff (CFA 145) which is very restricted and

limited in its application as it does not apply to all destinations in British Columbia and has no milling-in-transit privilege, etc. It only applies on certain grains and grain products for livestock feeding purposes.

The term "Export" is the railway westbound application of the Crows Nest Pass Act rates and in this case it is interesting to note that they are on a higher level than the Crows Nest Pass rates Eastbound due to the application of the Edmonton to Vancouver mileage as applying from Calgary. Also, this tariff is restricted compared to Eastbound in the commodity list as no provision is made for rates in flax, prepared feeds, oilcake meals and many other items.

The rate to Montreal is based on an all-rail haul.

The rate to St. John's, Newfoundland, is based on an all-rail movement to North Sydney, N.S., where the freight is unloaded from the railway cars and loaded on board a vessel for transport over a water route of 98 miles to Port aux Basques where it is again unloaded from the vessel and again loaded into railway cars for a 547 mile rail haul to St. John's, Newfoundland.

We believe this illustrates one of the anomalies which shows the different treatment received by purchasers of transportation in the various sections of our country and clearly indicates the difference between "Cost of transportation" and "Cost and Value of transportation" principles of rate making. This undoubtedly is a matter that should come before the Board of Transport Commissioners in its inquiry under Order in Council P.C.1487 as we contend it comes within the confines of the Railway Act in particular by Sections 314 to 321, which provides that

all tolls shall always, under substantially similar circumstances and conditions in respect of all traffic of the same description and carried in the like kind of cars, passing over the same line or route, be charged equal to all persons and at the same rate, whether by weight, mileage or otherwise.

It is our belief that a number of competitive rates have been allowed to remain in effect notwithstanding the fact that in most cases the original circumstances, such as competition or other causes, may now be materially altered. We refer to such rates that apply in Ontario and Quebec and especially the schedule "A" rates, which have only been increased by 21% while the principal basis on which they were predicated (being the rates in contiguous United States territory) have been increased 73%. While at the same time transcontinental and local western commodity rates have been increased on several occasions until now our transcontinental rates equal the United States New York basis or the class rates.

I might interject here that last night we were advised that the proposed changes in the transcontinental rates are being deferred till December 1st so possibly now the statement that our transcontinental rates equal those of the United States is not correct, but they were to come in the 1st of August.

We would recommend to this Commission that regardless of the distribution of the traffic between the various carriers, the rates in this preferred territory should be investigated to determine their reasonableness.

We do not favour the principles of establishing rates by statutes, whereby they become "fixed" and where

no provisions are made for the consideration or adjustment of the same by the Board of Transport Commissioners in order to reflect changing economic conditions. It has been alleged that the grain rates under the Crows Nest Pass Act are not equitable under present day conditions. However, we venture to say that having some slight knowledge of the earning capacity of these rates under their conditions of carriage, we do not believe they will be found uneconomical and do contribute their fair share of revenue to the carriers.

With the cancellation of numerous carload commodity rates in Western Canada we find that the Canadian Freight Classification is coming more to be the governing authority. The restricted mixing privilege in Rule 10 is working a hardship on us when we, in Western Canada, are prohibited from shipping hay and straw in one carload; and prepared feeds and grains in one carload.

In this connection, we would recommend to the Commission that this rule has long past outlived its usefulness and that it should be amended by deleting Section #2 which would result in the classification being uniform throughout Canada. With this uniform classification, why could we not have a uniform class rate structure for all of Canada?

Class rates are the basic rates and are the foundation of our whole system of freight rates. They are most important, not only because they apply on a considerable volume of traffic, but because they have been extensively used as a basis for commodity rates. In Canada class rate tariffs provide rates for ten numbered classes and all freight is assigned to one or more of the

ten classes through the medium of the classification referred to above.

Of course, I might interject here that we have actually more than ten classes, because we have the progression above first class, which is provided in Rule 3, section 8, of Canadian Freight Classification No. 19, which in effect gives us about nineteen classes.

In the United States there has been a distinct trend toward relating commodity rate scales to class rates by making commodity rates percentages of class rates. The Interstate Commerce Commission is now endeavouring to further promote the use of class rates, by encouraging the revision of classification ratings, so that the rating will be whatever percentage of first class is generally used as a basis for the presently published commodity rates. We believe that this method of rate making warrants serious consideration by our Canadian roads if only as a partial solution of the problem of rates and tariff simplification.

In conclusion, we, as substantial buyers of transportation, are most anxious to have our sellers of transportation in a sound, economical and efficient operating position so as to furnish us with the services we require.

We believe that we, as Canadians, having the great railway systems which have been established for some time and their not requiring any appreciable amount of expansion, together with our highway and airway systems, which are now being developed, are indeed in an enviable position. All we require to fulfil this heritage and make it serve us better is further national development and increased population.

To accomplish this, we believe the various forms of transport freight rate structures should be on the basis of "Cost of transportation" and that this basis could be made to apply to all sections of the country without the necessity of subsidies. We suggest this could be brought about by:

1. closer co-operation of the various transport media,
2. more efficient operating methods by the various carriers,
3. greater co-operation by and between the various sellers of transportation and the regulating bodies and the purchasers of transportation, as a more thorough knowledge and understanding of one another's problems would at least solve some of them.

The above is respectfully submitted.

MR. BRAZIER: Q. Mr. Alton, on page 1 of your brief you have a statement of the freight rate assistance received in British Columbia for the various years, and you state that this is only the amount absorbed under the freight assistance order?

A. Yes, that is correct.

Q. Could you give the Commission some information as to what part of the actual cost of transportation the assistance represents

A. Well, the government under the freight assistance policy absorbed on the basis of the Calgary rate, which is 30¢, from Calgary to Vancouver, and if you go beyond Calgary or up into the Peace River country for grain, the rates are higher; for instance, I show from Dawson Creek

to Vancouver, the feed rate is $43\frac{1}{2}\phi$. The Government absorbs 30ϕ and we pay the $13\frac{1}{2}\phi$.

COMMISSIONER INNIS: Q. Is that under an order in council?

A. Yes, that is under order in council P.C. 989.

COMMISSIONER INNIS: Has that been put on record

MR. EVANS: I wonder if my friend would file it.

THE WITNESS: A copy of the order in council?

MR. EVANS: Yes.

THE WITNESS: It has been filed at the three hearings, but I will get copies and file them again if you wish.

COMMISSIONER INNIS: I do not think it has been filed with this Commission.

THE WITNESS: No, I am sorry, it has not been filed here.

MR. BRAZIER: Q. You can obtain that from the Department here?

A. Yes, I am quite sure it can be.

MR. BRAZIER: We will undertake, Mr. Chairman, to get copies of that.

Q. That applies on all freight assistance; they pay 30ϕ :

A. Yes, that is basic rate. Of course, they do pay arbitraries over Vancouver. If it moves to say Vancouver Island, where the arbitraries range from 3ϕ to 12ϕ , they pay that, and they also pay the coastwise rate from Vancouver to such places as say for instance Powell River and so on.

Q. On page 3, Mr. Alton, the last paragraph, you

mention there the difference between cost of transportation" and "cost and value of transportation" principles of rate-making. Could you just expand that somewhat for the Board, as to what you understand to be the difference between those two principles?

A. Well, the principle is, if you refer to the system of rates and earnings per net ton mile, page 2, that the identical product is differentiated in against its use; in other words, if human beings use the grain we have to pay a rate of 46¢, which after the 1st of July I hope is 41½¢ -- I have not seen the new tariffs yet; I arrived at that rate myself -- and if it is for livestock feeding apparently the cattle cannot afford to pay as much as we can, and we get it for 34½¢. Then the export rate is 23¢. In other words, we have three rates for the same article, and used for the same purposes.

Q. So your interpretation would be that the rate should be the same for a single commodity whatever use is made of that commodity?

A. Well, they do that eastbound; they do not differentiate eastbound, whether it is for human consumption or what it is.

MR. EVANS: Oh, yes, they do.

THE WITNESS: Where?

MR. SINCLAIR: Down in the maritimes.

THE WITNESS: I am talking about these rates.

MR. SINCLAIR: East of Fort William.

THE WITNESS: East of Fort William? No, sir, your rate right through is the same; your export rate is now, unless they changed it in the last week ---

MR. SINCLAIR: That is not correct. I put it on

on the record before.

THE WITNESS: I would like to have a look at your tariff E-400B, if you wish; I will check that.

MR. SINCLAIR: The railways have their rate men to prove what the actual rates are.

THE WITNESS: First of all, possibly, before we go on, are my rates right as I have shown them on the exhibit?

MR. SINCLAIR: Yes.

THE WITNESS: Well, I would say the exhibit speaks for itself. Those rates in your 400 tariff and your C.N.R. C.G. 67-2 do not say an end use. Wheat is wheat, whether it goes for human consumption or what it is.

MR. SINCLAIR: Look at it for Halifax and St. John -- export rates as against domestic.

THE WITNESS: I am not talking about export rate; I say for human consumption. If you want to, let us knock the export right out. We have got three rates on end use in British Columbia, or two now.

(Page 3072 follows)

MR. BRAZIER: He is differentiating between use.

THE WITNESS: I am differentiating between use of grain, whether it is used for one purpose or the other. I presume the ability to pay is taken into consideration.

MR. BRAZIER: Q. Turning to page 4, Mr. Alton, you mention that Schedule A rates have only had a 21 per cent increase?

A That is correct.

Q I presume you are aware as a traffic man that the railways have to apply to the Board to have those rates increased?

A That is correct. Schedule A rates are under normal rates and the Board have complete power over them.

Q Have you heard of the railways making such an application?

A No, I have not, nor have I heard the Board suggest that those rates should be investigated in view of another percentage increase.

Q Further down on that page you mention rule 10. Are you aware of the position the railways take in regard to rule 10?

A Very much so. I would say it is just some shippers who think that it may help them today. Possibly it was a good idea at the time it was put in. As I say, it has outlived its usefulness and should be abolished.

Q You are aware of the position of the railways?

A The railways are quite willing to do it.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q Mr. Alton, on that last point, my impression from

the attitude of the railways at the Winnipeg sittings was that this matter of rule 10, the mixing privilege, was just something about which the railways were just in the hands of the shippers and could not do anything about it themselves. Do you subscribe to that view?

A The railways could not do anything about it?

Q Yes.

MR. O'DONNELL: That is not putting the matter quite fairly, with due deference to my friend, Mr. Frawley. We referred to the judgment of the Board in which the recitals are very clearly set out as to what the situation was, and the Chief Commissioner indicated that the mixing privilege, as it was established in the west, was the result of conversations between those who were interested in it, and the railways had no objection to its being set up the way it was. That is the way it stands. The railways are quite indifferent to whatever regulation prevails concerning the mixing privilege in the west in so far as it is any different from the mixing privilege in the east.

MR. FRAWLEY: Q. We will take it as Mr. O'Donnell has put it to the Commission now.

A That is as I understand it.

Q I want to have your view as to whether or not the railways are in duty bound, as the people who carry this freight and who enforce the classification - whether there is any obligation on them to change that mixing rule which discriminates --

MR. O'DONNELL: That is a matter of law.

THE WITNESS: The classification is under the

jurisdiction of the Board of Transport Commissioners, and I think all we have got to do is get together on the thing and say we want it changed.

MR. FRAWLEY: Q. You think it can be changed just as easily as that?

A Certainly; I think if it were unanimous the Board would have absolutely no objection.

Q But it would have to be unanimous?

A Oh, I would not say unanimous. None of their judgments are that way.

Q I mean to say if the agreement was unanimous the Board would give effect to it readily?

A I believe so.

Q If you find some wholesalers who find it in their interest, from the point of view of maintaining their special interests in the community, to object to the change, and we have that on the record as a fact, then what should be the attitude of the railways in the matter?

MR. O'DONNELL: That is not a fair question. The attitude of the railways has been clearly put on the record. What Mr. Alton may think the attitude of the railways should be - surely to goodness he is not that much of a mindreader.

THE WITNESS: That is correct.

MR. FRAWLEY: Q. Notwithstanding my friend's objection, we now have on the stand an experienced traffic man, and if I can I just want to see how far we can get in clearing up this impasse which at the moment seems to result with regard to the mixing privilege. Some wholesaler says that they want to keep it as it is. Other people

say, "No, we want it put on the same basis as the east." We have had the attitude of the railways, that they are standing on the sidelines waiting for the people who use it ~~to make~~ up their minds. What do you think about the public who perhaps might be benefitted by that change? How are we going to break the log jam?

A I don't think the public are interested one way or the other myself, but if traffic --

Q Oh!

A Well, I mean relatively speaking, the man on the street. It is a very small minority who want rule 10 left as is. I assure you of that. We have had discussions on it on many occasions with directly interested people, not the man on the street. Directly interested people have discussed that very thing, and it has been a very small minority which has held out for it, and rightly or wrongly we usually give in to them.

Q How do you get rid of that minority if the time is ripe for a change?

A I would think the Board should weigh the preponderance of requests, if you want to put it that way, and go with the majority.

Q You think the railway ---

A A very very small minority cannot hold up the whole progress of the country, if you want to put it that way.

Q Would it be fair to suggest that the Board might use the powers which it has to initiate an investigation to bring about this change?

A I think that is correct, yes. I would agree with that.

Q Can you tell me the percentage of your grain imports from the Prairie Provinces which move, for whatever reason, under the tariff which the C.P.R. calls W849, the $41\frac{1}{2}$ cent rate, as against what moves under C.F.A. tariff 145 at a lower rate?

A I believe Mr. Creelman told you about 20 per cent, and I think that is correct, in the neighbourhood of 20 to 25 per cent.

Q I misunderstood. I thought Mr. Creelman was talking about his own Co-operative.

Q That would more or less work out to the same percentage relationship, I would say. I did have figures before on that, but I do not think I have them with me. I would say about 25 per cent of mill feeds versus grains, under that. As a matter of fact, I have the government's full statement here of the various amounts paid. British Columbia, for the years 1946-47, mill feeds represented 77,305 tons out of a total of 325,114 tons. I don't know what that percentage is, about 25 per cent I would say is close enough.

Q I want to ask you about your reference on page 3 to the fact that the export rates westbound are on a higher level than the Crow's Nest Pass rates eastbound due to the application of the Edmonton to Vancouver mileage as applying from Calgary. Using the Vancouver Board of Trade brief let me put on the record that the mileage, Vancouver to Calgary, is 641.5. You understand that to be correct?

A Yes.

Q And that the Canadian National mileage, Vancouver

to Edmonton is 764.9 miles. That is correct?

A Yes.

Q What you are calling to the attention of the Commission is that when the Crow's Nest Pass rates, as they are generally called, were made applicable westbound there was that modification that the mileage to be used had to be the C. N. mileage, Edmonton to Vancouver?

A That is correct.

Q And the Canadian Pacific Railway Company is therefore obtaining a rate which is based on a mileage of 754.9 miles, but they are only hauling the grain 641.5 miles? Is that what you understand?

A Yes, or in other words the rate from Calgary for 641 miles should be 18 cents instead of 20 cents.

Q Now, Mr. Alton, as a traffic man, do you know why the Canadian Pacific was given that consideration?

A Well, I have a slight recollection of the western freight rate case.

MR. O'DONNELL: You can read the judgment. Anybody can read it.

THE WITNESS: I know that is the background.

MR. BRAZIER: Under order of the Board.

THE WITNESS: It is under order of the Board directly.

MR. FRAWLEY: Q. Has it to do with the fact that the Canadian Pacific had to traverse mountains and go through tortuous mountain passes?

A Yes, I presume that would be it.

Q Then even though the mountain differential has been removed we have this vestige of it still remaining

in the rate structure?

MR. O'DONNELL: Anybody can read the judgment. It is Board Order No. 448, and the reasons are all set out there. Mr. Alton cannot interpret those any more than anybody else, and surely the Commissioners can read.

MR. FRAWLEY: My friend does not suggest that I must stop and read every word of that order. I am just putting it to the witness who is an experienced traffic man as to why this concession was granted, and I asked him whether it was because of the mountain passes and the allegedly higher cost of operating in the mountains.

THE WITNESS: That is my understanding of it, yes.

MR. FRAWLEY: Q. That is what has been disposed of in the mountain differential case supposedly?

A It has not come out of our C.F.A. 145 as far as I know.

COMMISSIONER ANGUS: We will adjourn until 10 a.m. tomorrow.

---The Commission adjourned at 5.15 p.m. to meet again on Thursday, June 30, at 10 a.m.

H.R.

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Continued

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUN 30 1949

VOLUME

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Please make the following changes in transcript of evidence, June 30, 1949, Volume 17.

<u>Page</u>	<u>Line</u>	<u>Change</u>
3105	17	"Ottawa to Winnipeg" should read
		"Montreal to Winnipeg".
3118	4th from last	After "October of 1947" add "and 20% in April 1948."
3125	9th from last	Line should read: and if the tariffs are not changed <u>at once</u> after that, reparations...."

THE ROYAL COMMISSION ON TRANSPORTATION

Vancouver, June 30, 1949.

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THE ROYAL COMMISSION ON TRANSPORTATION

VANCOUVER, B.C.
Thursday, June 30, 1949

HONOURABLE W.F.A.TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner.
HENRY FORBES ANGUS	Commissioner.

- - - - -

G. R. Hunter, Secretary.	P. L. Belcourt, Asst. Secretary.
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ADDITIONAL APPEARANCES:

Mr. Milton Owen	Representing Union Steamship Company.
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MR. BRAZIER: Mr. Chairman, before the witness starts this morning I would like to advise the Commission that we attempted to get copies of the order in council on freight assistance, and find that the Department of Agriculture here has only one copy. I would like to put on the record the two orders in council under which this freight assistance is paid; the first covering British Columbia is P.C. 2489, dated June 3, 1948. Then there is an order in council covering Eastern Canada, which is P.C. 1515, dated April 8, 1948. Those are the orders in council presently in effect.

I would also ask leave of the Board to have copies made and to file as an exhibit a statement obtained from the Department of Agriculture showing the amount of subsidy paid in the various provinces of Canada, starting with the year 1941, for each fiscal year up to the end of 1948-49. I have just received this this morning, and it will take a day or so to have the statements prepared. May I have permission to file it in due course I would just like to bring to the Commission's attention from the statement that in the fiscal year of 1948-49 a total of \$17,000,000 was paid by way of subsidy, freight assistance, of which only \$1,760,000-odd was paid in British Columbia. It was something over \$6,000,000 paid in Ontario, \$6,700,000 paid in Quebec, over \$1,000,000 in New Brunswick, \$1,400,000 in Nova Scotia, and approximately \$400,000 in Prince Edward Island.

E. J. ALTON, recalled

CROSS-EXAMINED BY MR. SINCLAIR

Q. Mr. Alton, the subsidy on feed grains to the west originated in 1933, did it not?

A. No, sir; in 1941.

Q. Well, in 1933 you received some assistance, did you not?

A. Well, if you are referring to C.F.A. tariff 145, that is based on a subsidy; I presume you are right.

Q. Of $11\frac{1}{2}\phi$?

A. That is right.

Q. A 100 pounds. Now, did you not receive government assistance at that time also of 30ϕ a hundred

A. No.

Q. I suggest to you that following a meeting of the western provincial governments and the Dominion Government in January of 1933 a request was made of the railways to reduce their rate by $11\frac{1}{2}\phi$, and the government would take up the balance of the freight charge from the Calgary-Edmonton areas to British Columbia points, and as a result of that the railways reduced their rate from $41\frac{1}{2}\phi$ to 30ϕ on feed grain, and the railways commenced paying a subsidy of 30ϕ a hundred?

A. The railways.

Q. The Government started paying a subsidy of 30ϕ a hundred?

A. I don't remember that, going back that far. On that subsidy end, the only one I have any recollection of is the one quoted under this order in council here.

Q. Your mind does not go back beyond those dates?

A. No, not as far as subsidy is concerned.

Q. I suggest to you that in the depression years, Mr. Alton, to assist the movement of feed grains from the prairies, which were difficult to sell, and to assist the livestock industry and the poultry industry of British Columbia, conferences were held between the industry and the railways and the Government to assist these industries, and a solution was worked out that was of benefit to all parties; is that not correct

A. As a result of tariff 145, yes. I am quite familiar with the background of that, the negotiations.

Q. Now, you state on page 1 of your brief, Mr. Alton, that British Columbia is not a large producer of grain, and has to import from Alberta and Saskatchewan. I suggest to you that British Columbia could produce a much greater amount of grain if the farmers were willing to produce it.

A. I would not agree with that, Mr. Sinclair. I think what you are referring to is our Peace River country, yes, but to all intents and purposes that is prairie movement. There is a great deal of grain grown in the Peace River country, around Dawson Creek and that, but that all has to move through the Edmonton gateway and it is based on the same basis as the prairies. I agree that we could produce grain here, possibly in the Cariboo, but certainly not down in the lower Fraser Valley, where the climate and so on is not suitable for the growing of the same class of feed grains.

Q. The delta area does not produce feed grains, eh?

A. No. It produces some class of oats but not very much. If those oats are used at all they are usually used in milling purposes.

Q. I suggest to you, Mr. Alton, that the acreage on

wheat, oats, barley and other feed grains in British Columbia has been reducing, because of the fact that the farmers have more profitable crops to which they can resort?

A. That is correct. That is what I meant when I said that the climatic conditions and so on were not suitable. There are a lot of other crops that they can grow to better advantage than competing with the prairie farmer in growing grain.

Q. And I suggest to you that the drop in acreage has been deprecated by the Department of Agriculture, in which they say we have need of the grain, and with the home market existing for this product here there should not be a reduction in the acreage grown, so the reason why the farmers here are required to go afield for their grain is because, from economic and geographic advantages, they have more profitable crops to turn to?

A. Well, certainly. I don't know whether they are trying to grow peaches and plums and that in Manitoba, but -- economic and geographic, yes; we should turn to the best things that we can produce.

Q. So that you would be prepared to accept your economic and geographic disadvantages in regard to feed grains, for instance?

A. Certainly; we always have been.

Q. And I understand that you are against subsidies?

A. That was withdrawn from the brief.

Q. I am talking to you personally as a business man?

A. Well, personally, if you read the way I had it, if certain things were done we would not have to require subsidies; if we had a "cost of transportation" and this basis could be made to apply to all sections of the country without the necessity of subsidies; if we had a

proper rate scale and everybody in every part of Canada was paying his proper share, the railways would receive their millions of dollars, and there would be no need of subsidies. I am talking of the over-all picture.

Q. Is it your view that each commodity should pay the cost of carrying that commodity?

A. Yes, sir, I do firmly believe in that.

Q. Without exception.

A. Without exception.

Q. And therefore you, as a representative of the B.C. Feed Manufacturers' Association, would be prepared to accept the application of that in your tariff?

A. Yes, provided all factors are taken into consideration in arriving at the costs.

Q. And you would therefore be prepared to have the concession of $11\frac{1}{2}\phi$ given by the railways withdrawn?

A. No, sir; I would say no, sir.

Q. If the cost of moving the grain required it?

A. If the cost of moving the grain required the railways to receive back $11\frac{1}{2}\phi$?

Q. Yes.

A. Taking into consideration the cost and method and for what service received in the handling of grain, I would agree with that, yes.

Q. And you would be prepared to give up the 30ϕ a 100 pounds subsidy on feed grain?

A. Oh, no, no. I say we have to have equality. If you are going to haul grain from Calgary to Vancouver for 20ϕ because it goes for export, or 30ϕ because cattle eat it, and 30 or $46\frac{1}{2}\phi$ because human beings eat it, that is wrong. If you want to put it this way: first of all, I

should firmly believe that the cost of transportation of these basic commodities should be taken into consideration in the method in which they are handled.

Q. Just into consideration

A. No, no; I said review.

Q. Oh, I understood you to make that the basic factor in fixing a rate?

A. That is correct; all right, let us arrive at that first -- the basic factor in what it costs to haul certain classes of traffic under the conditions of carriage.

Q. You would give no effect to the value of the service?

A. No. I do not see why wheat is any more valuable, why it should pay a higher freight rate depending on its end use. I cannot see that. You are departing completely from the basis of the Canadian Freight Classification and various other rate-making factors in doing that.

Q. You would not take into account competitive factors in fixing a rate?

A. Oh, yes, absolutely. I am talking about a basic rate now.

Q. Competitive factors for the product, I mean?

A. You mean whether or not say British Columbia wheat competing against Alberta wheat?

A. No; I am thinking of wheat through the port of Vancouver for export?

A. Oh, personally I would think that as a basis of rate-making, export traffic should possibly -- possibly -- have a lower basic rate than that used for local consumption, based solely on the conditions of carriage, and if you wanted to go into those we could do that, but I don't

know that it is a proper time.

Q. Now would you mind turning to page 2 of your brief, Mr. Alton. At the top of the page there you say the products we deal in are mainly agricultural and are therefore competitive, and transportation costs have a great influence on their distribution. Now, do you ship manufactured feeds to the prairies or eastern Canada?

A. Not manufactured feeds. We send a certain type, that is, our own firm sends a certain type of feeding material right through to Prince Edward Island, yes.

Q. How much would that amount to of the total feed grains of British Columbia?

A. Oh, the total would be fairly small, about 200 carloads a year of 30 tons each.

Q. That is practically negligible out of the whole total?

A. That is correct, yes, but I am talking, if you wish, there, of distribution possibly locally rather than interprovincially. I am talking intraprovincially rather than interprovincially.

Q. You say that intraprovincially there is competition between the suppliers of feed grains in British Columbia?

A. Absolutely, very much so.

Q. And some of them are trying to reach beyond their local markets; is that right?

A. They certainly distribute all over the local -- if you wish, the local Fraser Valley, and also coastwise and on to Vancouver Island.

Q. Hasn't the firm you represent got a lot of branches throughout British Columbia -- Buckerfield?

A. We have that for our distribution problem, yes.

Q. That is the way it should be solved.

A. That is the way it should be solved.

Q. Now, feed manufacturers in British Columbia enjoy a distinct advantage in supplying the local market over feed manufacturers say in Alberta or Saskatchewan?

A. No, I do not agree with that.

Q. Well, does a feed manufacturer say in Calgary get the 30¢ subsidy?

A. He does not, no; the end user gets it.

Q. Does the end user get the 11½¢ subsidy paid by the railways?

A. I did not know they paid any subsidy.

Q. Well, the 30¢ subsidy you get from the Dominion?

A. That is totally paid.

Q. You have to certify that it is paid?

A. Yes.

Q. Now, the 11½¢ subsidy that is given by the railways, there is no certification?

A. I do not agree with the railways giving any subsidy at all. They are acting under the Board's order or tariff issued by the Canadian Freight Association.

Q. I suggested to you earlier that it was as a result of negotiation?

A. It was a published rate. I know some of the background of these published rates, and it was a political saw-off, if you want, that you reduced the rates. That is fine, but I don't know whether it should be called a subsidy. If you want to call it a subsidy I guess it doesn't matter.

Q. You are not saying it is passed on to the farmer?

A. I say it is passed on to the farmer.

Q. Totally passed on?

A. Yes; we buy our wheat at certain prices, and then this freight is taken off. In other words, the whole idea of this subsidy is that feed costs the same all through Canada, and for your information I have checked prices in Toronto and Montreal and Vancouver, and they are all within a very few cents per ton of the same price, due to the fact that the Government pays the freight.

COMMISSIONER INNIS: Q. When you spoke of a political saw-off ---

A. Well, possibly I should not use those words, but, as I said, I know some of the background of how it got involved in politics, and it grew out of that.

Q. It would be rather useful to have that for the record.

A. Well, if you wish, sir, to investigate the mountain differential case, there was evidence filed there as to letters exchanged between the Minister of Transport and various ---

Q. Could you give us the specific reference?

A. Well, I think it is in the record.

MR. BRAZIER: I will undertake to refer the Commission to it.

MR. SINCLAIR: I have a copy here, Dr. Innis, of a memorandum, notes, minutes of a meeting held on January 18, 1933, that were prepared by the General Freight Traffic Manager of the Canadian National Railways. There were present Dr. Manion, Mr. Weir, Mr. McPherson of Saskatchewan, Mr. Headley of Alberta, Mr. Jones of British Columbia, Mr. McPherson of Manitoba, Mr. Major of

Manitoba, Messrs. Stephen and Jefferson of the Canadian Pacific, and Messrs. Fraser and Long of the Canadian National. I will just read extracts from it:

"Dr. Manion suggested that in his opinion a compromise as between the export rates and the domestic rates should be made, suggesting that we take the rate from Calgary and Edmonton, 20¢ export, 41½¢ domestic, and split the difference as between these two figures, which would result in a reduction in the rates from Calgary and Edmonton of 11½¢ per 100 lbs., and reduce rates from other points in Alberta and Saskatchewan by the same figure as from Calgary and Edmonton.

"The railways stated that we had given consideration to the matter and it was our thought that a blanket rate from the Province of Alberta would be preferable, this rate to be 35¢ per 100 lbs. from all points in Alberta, exclusive of the Northern Alberta Railways. Representatives of the Provinces, however, stated that they would not stop the agitation, because it would give a greater reduction in these rates from one part of the Province than from another. It was finally agreed that the railways would make the 11½¢ reduction applicable against all domestic rates from the Provinces of Alberta and Saskatchewan as a proposal to the parties interested."

Then this is important:

"The rates, if accepted, would apply only on low grade grains for feeding, and would not be protected on grain which might enter into mills for manufacture."

Q. That is Crows Nest in there, isn't it?

A. That is Crows Nest; I don't care what it is, he pays 59¢, and the Government absorb -- I don't know just how much they absorb off that, but the spread is just about the same.

Q. In other words, what you are saying is that the Board of Transport Commissioners in the case of the Surrey Co-op were in error?

A. Well, they judged against us.

Q. Therefore they were in error; is that it?

A. No, I would not like to go on record about that, because we ---

MR. BRAZIER: Might have to go before them again.

THE WITNESS: I hope not; never have yet.

MR. SINCLAIR: Q. On page 3 of your brief you say:

"The term 'Feed' is the rates in the special Feed Grain Tariff (CFA 145) which is very restricted"---

A. Yes.

Q. --" and limited in its application" -- what grains used in feed manufacturing are not covered by the Feed Grain Tariff?

A. Oilcake meals, many of them.

Q. Let me read what is covered: barley, bran, corn cracked, corn whole, animal feed and its ingredients, chopped feed, mill feed, oat hulls, middlings, oats, rye, screenings, shorts, wheat.

A. Would you like me to read what they can ship on the prairies and can ship from the prairies to any place in Canada, including Prince Edward Island, for feed.

Q. Well, Mr. Alton, there is a difference between

Crows Nest rates, and I am sure that a man as experienced as you, having spent half a lifetime in the feed business ---

A. I am not talking about whether it is right or wrong; I am talking about the basis of it.

Q. All I can say is that maybe you are suggesting that the Crows Nest rates in effect go up.

A. I am not suggesting that. I will go so far with you as to say I believe any rate or anything should be investigated in the proper light of its application and the conditions of carriage, and then if they are found to be below the cost of carriage for the service received, then I guess it is out of our hands, because it will come back right into the Crows Nest Pass whether or not it should be increased. They are supposed to be in there forever.

Q. I heard you yesterday say that you were against statutory rates, and the Crows Nest rates should be done away with and grain rates put under the Board.

A. Yes.

Q. And I just take from what you said that you go further, and you say that many of the commodities receiving benefit under the Crows Nest tariff should be done away with?

A. No, absolutely not. I say we should all be on a parity. If you want to do away with anything, let us do away with Tariff 145 and do what Mr. Creelman and Mr. Headey suggest, that we all go on the export rate, if you want to get down to something of what we want to agree on.

Q. I don't want to argue with you, but you admitted to me, Mr. Alton, that there should be a difference between export and domestic?

A. I said personally depending on the cost of service and the value received.

Q. Now, I suggest to you that there are 52 destinations covered by this feed grain tariff in British Columbia?

A. They are all in direct line of transit, and I agree that that is true, but it does not apply off the direct line of transit, such as down into the Okanagan Valley or on the Crows Nest or any of those places -- apply any station between Calgary to Vancouver plus applied arbitraries to destinations on Vancouver Island.

Q. Now, you suggest that it has no milling-in-transit privilege; the tariff authorizes a stop-off for storage?

A. That is right.

Q. For cleaning?

A. That is not milling in transit.

Q. Just a moment, please, Mr. Alton. And in the case of barley, oats and wheat, a stop-off for crushing and grinding; so that, recalling what I read from the minutes of the meeting in 1933, by allowing these concessions the railways have gone far beyond what was originally contemplated in assisting the feed industry of British Columbia?

A. Well, I would not go that far, no. I would say they have done it to try and build up some traffic of their own.

Q. Are these privileges of no advantage to you?

A. That is, bagging and crushing and that is of very little advantage to us, because there is no back haul, there is no back haul; we cannot ship -- let us just follow this through for a moment; I don't like to take the time. Under that, when I say no milling-in-transit privileges,

take back haul and everything else, this is in direct line; we at the end of the line have nowhere to ship to except Vancouver Island. The man on the prairies, with everything coming this way, is in direct line of transit; he can cover all these places from Calgary right through to Vancouver. If we want to ship back to New Westminster, equalization again.

Q. What you are asking for is, is it not, Mr. Alton, that you have got some concessions that were agreed on, they were extended beyond that, and you want ~~same~~ more?

A. I don't say that we want any concessions; please understand that. We want equality of treatment with the other people, whether it be high, low, inefficient or anything else, but we should have it all the same.

Q. Well, have you got equality with your other feed manufacturers in British Columbia?

A. For shipping? No.

Q. Buckerfields?

A. Well, we have through the situation of our branches and that. The CFA tariff 145 forced us to put a branch into Kamloops.

Q. That might have been the economic thing to do?

A. It might have been, yes; it was built around freight rates.

Q. Your business, Buckerfields, has prospered?

A. I wouldn't answer that.

Q. It started in a small way about 1925, and is now one of the largest feed organizations in this territory?

A. That is correct.

Q. And one of the largest in Canada?

A. Well, that is maybe under dispute.

Q. Now, at the bottom of page 3 you make reference to the fact that this matter of cost of transportation and value of transportation should be a matter that the Board of Transport Commissioners consider under P.C. 1487?

A. Yes.

Q. Have you filed a submission to the Board under that?

A. No, I have not; never filed one to the Board.

Q. You have not submitted anything?

A. No.

Q. Any proposition to them?

A. Buckerfields Limited have never appealed to the Board of Transport Commissioners as a firm.

Q. I meant your organization?

A. No, not as the organization.

(Page 3097 follows)

Q. On page 4 you deal with mixing privileges. Maybe I do not understand you, but as I understand this, I think it is incorrect. You say you are prohibited from shipping hay and straw in one carload?

A. That is correct, under the classification.

Q. I suggest that you are in error as Canadian Pacific tariff W 170F provides for rates between all points in the Prairies and the Pacific Region under which hay, straw, and in alfalfa can be mixed carloads at tenth class distributing rates?

A. That is right, but it is not in the Canadian Freight Classification.

Q. But you say you are prohibited from shipping hay and straw in the one carload?

A. Did you check your minimums under that? Are they the same as in the classification?

Q. I believe there is a difference.

A. You are prohibited from shipping hay and straw in one carload under the Canadian freight classification. I am referring to the whole statement.

Q. You also say you are prohibited from shipping prepared feeds and grains in one carload. I suggest to you that is incorrect?

MR. COVERT: Excuse me; I do not want to interrupt, but I wonder if the two of you misunderstand the use of the word "prohibited". Is that what the quarrel is about? Do you mean that you are not really prohibited but you cannot ship in less than carload lots?

THE WITNESS: No, I mean under the terms of the Canadian freight classification only, within the confines of its covers, we cannot do it, but under exceptions

under tariffs here, there and somewhere else you will find we can do it.

MR. SINCLAIR: Q. The same applies to feeds and grains in one carload under Rule 9 of Tariff W849.

A Yes, under W849, CF845 and half a dozen different tariffs in the classification, if we want to ship articles seventh and eighth class, which many of them are, we cannot do it.

Q The privileges you have for shipping prepared feeds and grains in one carload are exactly the same in the east as in the west? That is correct? Have you checked that?

A No, not under the classification.

Q I am asking you as to the way traffic moves under these tariffs?

A What tariff are you talking about? I am talking about half a dozen tariffs and they are all different.

Q Look, Mr. Alton, will you just tell me if you know whether the grain tariff in eastern Canada does not contain the same conditions and rules with regard to shipping feed and grain in the one carload? They are the same east and west?

A We are talking about different things. I am talking about the Canadian freight classification.

Q You want to stick to the classification irrespective of how the traffic moves? Correct?

A Yes, I can point out many instances where we cannot, and it is not covered in any tariffs for certain commodities to be shipped together, and then you have to fall back on the classification, and you find there that

you cannot ship them together. I am referring principally to seventh and eighth class commodities. I know there are always extenuating circumstances around any rate, but the main idea of that is I want to go on record as being in favour of having a uniform classification throughout Canada.

Q In the first complete paragraph on page 5 you deal with the revision of the freight classification. You told us yesterday there were ten classes, and with the progressions above first class there are nineteen, but you are referring to commodity rates being percentages of class rates in the United States, and you are suggesting that might be given consideration?

A I just suggest it might be given consideration.

Q You would agree with me that the Board of Transport Commissioners under existing legislation in the Railway Act has complete power, and is unfettered and unrestricted in regard to dealing with the freight classification?

A That is correct. I said that yesterday.

MR. SINCLAIR: That is all.

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Alton, just on that point of classes, would you be in favour of having more classes in Canada than there at the present time, something along the lines that the I.C.C. have put in for the American roads?

A It may be so, yes; our classification could be refined a bit, I believe.

Q You are merely making the suggestion in the brief that the Commission look into that?

A Yes, that is a new method, and it has possibilities. I have not gone into it to any great extent, but I think it warrants a certain amount of study.

Q I take it from your remarks that from your experience, and from the statement at the top of page 2, that you feel that generally speaking the freight rate structure has served agriculture, trade and commerce well throughout the years?

A Well, it has, yes. You could not have anything that is built up over a hundred years and not serve any useful purpose.

Q And I would gather further that you are not of the school that would discard the rate structure and set up an entirely new one, but possibly you would prefer to endeavour to correct whatever anomalies there are in it through discussions and conferences with the railways?

A That is what the whole thing is.

Q I take it that is what you suggest in the closing paragraph of your brief, among other places.

A Yes. I think myself in that connection that both the buyers and sellers of transportation have been very remiss in appealing to the Board of Transport Commissioners or to government bodies before exhausting every avenue of trying to settle it between them. I do not think that avenue has been properly taken care of.

Q As a matter of fact, I take it from what you suggest in the case of your own company that you have never gone to the Board. You have always been able to work out a satisfactory arrangement between yourself and the railways?

A Up to the present time; as of now we have never gone to the Board.

Q You have discussed your problems with the railways and have dealt at close quarters with them, and generally speaking have obtained satisfaction?

A We have always managed to make a deal. Whether it is satisfactory or not on their side or on our side is open to question.

Q I assume there has been some give and take?

A That is correct.

Q I take it from what you say about close co-operation that you indicate that some provision might be recommended by the Commission that would permit freer discussion between the railways and the shippers of their mutual problems?

A Yes. I believe myself, as I tried to explain in my last remarks, that the Board of Transport Commissioners should never come into the picture until all avenues of settlement have been exhausted. As I said before, I think we have been a little remiss in not doing that, but it seems to be - I don't know who should make the first move, possibly either one, and it would possibly be a good suggestion if the Commission would say that under government direction this has to be done before the Board is called into it.

Q Possibly conferences along the lines of the conferences which took place before the present mixing privilege arrangements were put into effect? It would be along that line?

A Yes. There is a certain value in shippers' advisory committees, and so on.

Q Incidentally I take it that you are aware of the fact that the mixing privilege as it stands now was the subject of many many conferences between the shippers themselves?

A I think we covered that quite fully yesterday.

Q Right, I had forgotten. I also assume that you would agree as a fair minded businessman that the railways are entitled to a fair return and reasonable profit on their operations?

A I say that most definitely. If they cannot they will not be in a position to give us the service we require, not only the railways but trucks, airlines, any modes of transport.

Q You mention trucks. Have you any objection to the railways engaging in the trucking business as such if they can render better service to the public than they are giving at the present time?

A None whatever as long as -- let us put it this way -- the trucking supplements the rail carriage. In other words, if I as a shipper have a piece of material to move from point A to point B, and I contact the railways to perform that service, I do not care whether they take it on a truck, in a boxcar or on a magic carpet as long as they perform the conditions of carriage.

Q Whichever is the better service and the better method of carriage, you are in favour of that?

A The railway should be allowed to go into it, but again on a railway operated service. I do not think I like the idea of railways acquiring truck lines, wholly owned subsidiaries, and possibly using those to defeat competition

thereby creating a monopoly. I am against that principle, but when they can supplement and give us as buyers of transportation a better service, I do not care how they do it.

Q That is clear enough. I take it also, Mr. Alton, from the opening sentence on page 4, that in principle you agree that competitive rates should be altered when the competition, which they were put in to meet, has changed or no longer exists.

A Yes, they do that on our commodity rates, right and left, and I believe that the Schedule A rates should be treated the same as the special commodity rates.

Q Again on page 4, I take it when your association states that it does not favour the principle of establishing rates by statute that you refer there particularly to the Crow's Nest Pass rates among others?

A Among others, the Maritime Freight Rates Act and extending it to Newfoundland.

Q I assume that you consider that rates should be adjustable because you say in order to reflect changing economic conditions?

A That is correct.

Q And in this respect the adjustability should be under the supervision of the Board of Transport Commissioners?

A That is right.

Q So they could have continuing supervision of rates and could adjust them as economic conditions change?

A I believe the Board of Transport Commissioners should have jurisdiction over any interprovincial form of traffic, trucks, waterways, but intra-provincially as far



as trucks are concerned that should be left in the hands of the provincial government, but interprovincially it should come under the Board of Transport Commissioners.

Q You heard Mr. J. E. Brown express his views as to the cost of service theory. I note on page 3 of your brief that you refer to the differences between cost of transportation and cost and value of transportation principles. Would you care to elaborate your views on those matters? What are your views concerning the element of value of the article carried in making the freight rate?

A That is properly taken care of now by the Canadian freight classification. One of the basic principles of that publication is the value or end use or ability to pay. Let us put it that way.

Q I take it you agree that all these factors are matters to be considered in the making of a rate?

A Yes.

Q I take it also that the sole factor of mileage is not the only matter that must be considered in arriving at a proper freight rate?

A No, that is one of the factors. There are many factors enter into rate making, but I believe our basic rates should be on mileage, and instead of having five of them - four as of tomorrow - we should have one.

Q But two commodities, for instance, of equal bulk and weight, but of vastly different values, should not necessarily be assessed the same freight rate?

A No, I agree with that. As I say, that is taken care of in the present Canadian freight classification.

Q You think that is a fair way to do it, and

generally speaking you are satisfied with the classifications as they are, subject to any slight changes or amendments which you may have in mind?

A Yes, possibly they could be refined.

Q There is one other thing, Mr. Alton. In a number of briefs which have been submitted to the Commission it has been suggested that there should be more control, more restriction, by the Board of Transport Commissioners in the matter of commodity and competitive rates, and it has been suggested that the railways must get the approval of the Board before such rates can be made. As a businessman and a shipper, and as a man representing shippers who do considerable business with the railways, how does that suggestion appeal to you?

A Possibly I could explain it this way. For years we fought to try to get some of the rate making authority and decision removed from Ottawa to Winnipeg on the western rates. We have been fairly successful in that, and I would hate to see that moved and put in Ottawa. I believe that on commodity rates the railways should have the privilege of dealing directly, as I have said before, between the buyers and sellers of transportation, and that they should not appeal to the Board of Transport Commissioners until every avenue has been exhausted between them and they cannot agree. Then the Board of Transport Commissioners come in as a referee which may override both their wishes if necessary. That is my thinking of the proper way of doing it although, while we are on the subject, I should like to see that carried through but with the provision of reparations.

Q You heard Mr. Bolton yesterday, and I take it you agree with him in that respect, that he is also in favour of the present system which allows flexibility and quick decision, and allows the shipper to get a rate without all the delays that would be entailed in submitting the matter to the Board?

A If we are going to move the traffic that is the only way you can do it.

Q It has got to move in a hurry?

A That is right.

Q On page 4 of your brief you state, regarding the Crows Nest Pass rates:

"....we do not believe they will be found uneconomical...."

I take it there that you have not made any detailed or complete study of that matter, and that you are merely suggesting that some investigation should be made of those rates?

A Yes, under their conditions of carriage.

Q Quite, and if they were found to be too low what would you suggest should be done?

A I believe no form of transport should be permitted to carry any commodity below the cost of operation plus a reasonable return based on the conditions of the carriage.

Q Incidentally, Mr. Alton, I take it that you are aware that the American rates on grain and grain products are considerably higher than the comparable Canadian rates?

A I agree.

Q I had one other line of questioning regarding the feed grain tariff, C.F.A.145, but I will not go into that any more than to give the Commission the reference to that



matter which was discussed at some length in the 21 per cent case. It is to be found in volume 761, pages 8293 and following, and in volume 762, page 8702. That is Mr. Alton's evidence. We discussed that with Mr. Alton the last time we were here. There is no need to go all over it again. Under C.F.A.145 there is necessity for a certificate in order to get the $11\frac{1}{2}$ cents --

A Yes, you practically have to prove you saw it fed to the livestock.

Q The certificate that is on the tariff simply says, "I hereby certify the shipment of so many carloads", and you insert whether it is barley, or whatever it may be - "for the feeding of livestock and/or poultry", and then it shows who it was shipped by, and so on.

A That is correct. We have to give a certificate on each individual car, and if we do not supply that to the railways they do not reduce the rates. I may say that the rates are charged at the full domestic rates, as we call it, and on proof of this certificate they reduce it.

Q On proof that the grain was for feeding livestock or poultry you get the reduction?

A That is right.

Q You remember the case we discussed of the rate from Castor to Vancouver the last time we chatted about it?

A We discussed a lot of things that time.

MR. O'DONNELL: That is all.

EXAMINATION by MR. COVERT

Q Mr. Alton, on page 2 of your submission, the second paragraph on that page, you start out by saying

that:

"We believe that up to the last few years the ramifications of the Canadian freight rate structure, as it has been built up over practically one hundred years, are arranged, even with all its anomalies, to fit into agriculture, trade and commerce to the best extent possible."

I was wondering what you meant by the words "up to the last few years." Have things changed?

A We were getting into that condition just prior to 1929, and then you know what happened from 1929 right through to the end of hostilities and for a year after. Nobody had much time to do anything but push it right through, and I believe now with the increased costs the railways have, and possibly some of the inventions and better ways of doing things that have been developed during the war, that it is time to start applying them now and see if we cannot get them applied in the proper respect in each line of endeavour. I think that now during this post-war period is the time that this should be done.

Q I did not catch whether you said "1929" or "1939"?

A I meant the beginning of the war, 1939, pardon me.

Q Yes, and what you are saying is that up to that period you think everybody had been more or less doing their best to fit this freight rate structure into agriculture, trade and commerce.

A I go along with that, yes, with its anomalies, but something developed over one hundred years has a certain amount of merit.

Q But since then, whether or not it is because of lack of time, you think it has been getting away from that?

A I think in the case of any railway operation there very definitely should be a comparison between its rates and those of various other things like our highway transport, our airways, perhaps the Trans-Canada highway and the St. Lawrence waterway system. I think before that gets in and gets off on the wrong foot it should be considered before it starts. That is what I have in mind.

Q I take it from the answer you have just given that you feel that trucks, for instance, have their field in the economy as well as railways?

A Definitely .

Q And that should all be worked out as a part of the system of transportation?

A Correct.

Q And therefore that you are urging that there must be regulation to see that they do not drive each other out of business?

A Correct.

Q You believe in properly regulated trucking?

A I do, very much so.

Q While we are on that subject, in your answer to Mr. O'Donnell about the railways entering into the trucking business you said that should be supplementary to the railway system?

A Yes. Very briefly what I have in mind is something like the Southern Pacific has down in California, and the Northern Pacific and the Great Northern have between the west coast and their Okanagan Valley, into Wenatchee

and places like that.

Q I think I understand you, but what I am getting at is, is there any suggestion that the railways in this country are doing what you said at the end of your answer to Mr. O'Donnell they should not do? Are they buying up trucks so as to create a monopoly?

A Well, I did not say they were, but I said that should be avoided.

Q Yes.

A I did not accuse them of doing that, no, but I say it is possible and it must be avoided.

Q But you are not making the suggestion that they are doing that?

A No. I do know that the railway companies have bought truck lines and are operating them, but I would not accuse them of that, no.

Q While we are on this subject I also want to know if you feel that there is any real competition between the C.N.R. and the C.P.R.

A We go back for a long while, but frankly I do not believe when you get down to the roots of it there is much competition between the C.P.R. and the C.N.R. There are two many gentlemen's agreements, if you want to put it that way.

MR. EVANS: You mean they act too much like gentlemen?

THE WITNESS: Well, I will take that under advisement.

MR. COVERT: Q. Do you think that there should be closer cooperation between the two railways, or do you

think that leads to non-competition?

A I believe there is a limit to which they can go, but I think they could cooperate together much more. There is one instance of grain moving off the Northern Alberta railway, or northern parts of the province interchangeably. I think that can be done to very good advantage, if it results in nothing more than better service, but if they are going to do that what about your freight rate structure if it is based on mileages, and travelling over these big rugged mountains, and so on? How do we work out those details? It can be done.

COMMISSIONER ANGUS: Q. For better service you would look rather to more cooperation than to more competition?

A Yes, I think so. I think better cooperation possibly in operating methods and so on between the roads would result in better service to the buyers of transportation.

MR. COVERT: Q. You feel that the better cooperation angle is more important than more competition between the two of them?

A There is a limit to which you can go both ways. I will put it that way. If you get them absolutely together of one mind and thought, and so on, I don't know where we would end up, but there is where the Board of Transport Commissioners would come in, I would say, but I think as to the cooperation angle between medias of transportation, trucks with trucks, trucks versus railways, railways versus highways and airways, that instead of getting together and trying to solve the problems between

them they are trying to ignore them, just like the ostrich with its head in the sand more or less. I think all these things should be accepted as basic facts, and the basis of each taken into consideration, and put it under government regulation. As I said before, intra-provincially the highways should be under the provincial government, and inter-provincially or interstate it should come under the Board of Transport Commissioners.

Q You say it is all right for courtship but you would not want to see a marriage between the railways?

A That is possibly it, yes.

Q But you do feel there should be full cooperation but still real competition between the two of them?

A Yes, competition in securing business.

Q On page 2, where you quote these rates, and show the difference between the west and the east, I want to make it clear that the sole point of this is that you show the anomaly, at least what you suggest is the anomaly in the freight rate structure.

A Yes.

Q And the real anomaly is that there is a different rate because of end use?

A Correct.

Q You say that is wrong in principle?

A I think so, yes. If they wanted to do it at both ends it is all right, but it is wrong to have it at this end and not at the other end. If they want to say that export wheat through eastern ports takes a lower rate and also westbound, O.K. If they want to say that wheat for human consumption or livestock going east takes a certain

rate, and west a certain rate, that is all right, but not east down here and west up there. Let us equalize them. Equalization means bringing one down or possibly the other up, or one all the way down -- as long as it is level.

Q Your point is it might be all right to base a rate on end use as long as they did it on end use in the east and the west?

A Correct. If that principle is to be taken into rate making it should be taken in on the commodity all over the country, not in any particular section.

Q Then it is not so much that the principle of end use is wrong as it is the matter of equalization between east and west?

A I think you are getting away from the principles of freight classification. Generally speaking they do not take that into consideration.

Q What you really say is that perhaps end use may be a factor in making a rate?

A It may, yes. There are all kinds of factors; it may be one of them, yes. While we are on that statement, if you will look at our old domestic rate - there is no use flaying a dead horse - the earnings per net ton mile of 1.13 are the same as the C.P.R.'s average earnings for 1948 out of all classes of traffic, whether it is silk shirts, sand, grain or anything else.

Q The average?

A Yes, that is on page 6, item 20 of the C.P.R.'s submission.

Q. Well then, I do not know whether you could draw any conclusions from that. Could you draw the conclusion that that showed that the 45 cents per car mile on the export rate was obviously too low?

A. No. I did not bring that in at all.

Q. I just wondered.

A. I had in there the shades of the mountain differential case where grain was very low, very depressed, and so on and so on. It is funny that when I read that other submission, it should work out that the flour we eat here, and the grain we use for human consumption should be exactly on the same earnings, the same general average, for all concerned, whether it be first class or eighth class.

Q. The earnings per mile list on page 2 indicates that the all-domestic rate is the only rate which equals the average?

A. That is right. I will go that far with you.

Q. Yes; and that all rates to the east are below the average, that is, on grain?

A. Yes.

Q. And it looks as if, on grain, generally, with the exception of the old domestic rate, that they are all away below. As a matter of fact, the largest proportions are below half the average earnings?

A. Yes, except, even the new domestic rate; but the feed rate, the average earnings, when you take eighth class grain, it is supposed to be one of the lowest graded or classed commodities, but it is right up among the higher brackets, in considering the average.

Q. In the first paragraph on page 4 you refer to the

United States rates being increased 73 per cent; and the Canadian rates being increased 21 per cent; and you say therefore, that rail competition from the United States has disappeared? Is that correct?

A. Yes.

Q. And you started out by saying:

" It is our belief that a number of competitive rates have been allowed to remain in effect notwithstanding the fact that in most cases the original circumstances, such as competition or other causes, may now be materially altered."

And then you quote the tremendous increase in the United States as compared with Canada, and you say that the United States rail competition has disappeared. Is there anything else you have in mind there?

A. I do know that that is a fact, because I have some slight knowledge of how those group A rates were reduced and reduced, due to density of traffic and so on. Now, with these changing conditions - and one of the complaints was because of the contiguous United States territory, those rates have gone up 73 per cent, whereas in Canada, they have only gone up 21 per cent; and, whereas, they were put in in 1907, when there was no truck competition, on the other hand today there is truck competition.

But I understand that in Quebec and Ontario the trucks got a 20 per cent increase on the less-than-truckload rates in October of 1947 or in April 1948; and in addition there was a 15 per cent increase given in November 1948, which would bring one to believe that the trucks have received increases over and above 21 per cent.

MR. SINCLAIR: Q. What province is that?

A. Quebec, and Ontario. Manitoba had a 12 per cent general rate increase; Saskatchewan had a 15 per cent one and Alberta got a 21 per cent and a 15 per cent increase.

MR. COVERT: Q. I did not know that there was any regulation of trucks in Quebec and in Ontario. I was wondering how this 20 per cent was arrived at?

A. They have an association of truck operators down there, and that was how it was done. Most of the highway operators belonged to it, so they raised the rates on that basis. And I say, too, that I do know that a lot of the truck operating companies in Ontario and Quebec would gladly receive another increase.

MR. O'DONNELL: So would the railways.

THE WITNESS: Yes, so would the railways, no doubt. I say that they should receive their increase in Ontario and Quebec and leave us alone out here.

MR. COVERT: Q. Have you any knowledge of the trucking industry in the east, as to how they are getting along?

A. I could possibly explain that I think in the east, and even in Alberta, they are finding themselves in exactly the same position as we did, fifteen to eighteen years ago, when most of us, as shippers, were forced into the trucking business ourselves, to give ourselves adequate protection and service, and so on; and I think the solution we have had, in cooperation with the sellers of transportation, through the regulatory body, which is the P.V.C., has solved that problem to a very large degree, and I do not think I could suggest anything more to those other provinces, which

are going through the same throes that we did, than that they should follow our solution of it.

Q. On page 4 you asked a question in the penultimate paragraph, and you said:

".....why could we not have a uniform class rate structure for all of Canada?"

Do you believe that that is one of the most important factors in fixing up this freight rate structure, so that there will be equality?

A. That is our basis, the basis of our rates, that actually comes under the Board of Transport Commissioners; I mean the basic rates and those are your class rate structures. We have five of them at the present time. Tomorrow we will have four; and they are unequal. And if you want to equalize four things you add them all together and divide them by four. But I do not think it would work out.

Q. That was to give them another increase?

A. Yes, but I do not think they should do it that way. They have a superior scale which, I do not think originates much traffic, and which should not be actually taken as a rate basis. I should say that should be eliminated; but because there is nothing much we can do about the Maritime situation, if they want to be odd, from the rest of us, then I would say: Let them go.

Q. Could you just use a different word from "odd"?

A. I was looking right at you. It is very bad. What should we say: Odd, different?

MR. EVANS: Q. They could hardly be said to be even?

A. That is right. They could hardly be said to even.

Yes, let us put it that way. And then that leaves two rate structures, and to equalize two things, you first add them together and divide them by two.

MR. COVERT: Q. On page 5, in the first paragraph, you deal with the I.C.C. classifications; and I take it that what you are saying is that they should be studied because it might be an approach to uniformity.

A. That is what I say, but it is only a partial solution to rate and tariff simplification. If it did not do anything about the rates, it could simplify the tariffs to a great extent.

Q. I would be interested in having your opinion on the question of whether or not, in addition to fixing a maximum, there should be a minimum fixed. I think you suggested that in between those, that leaves the field where the buyers and sellers of transportation can get together and make suitable rates?

A. Yes. I will go along with you. I think that possibly not only the two railways but in the case of a lot of other businesses, that they should not be compelled by law, or compelled to do it, to carry goods at a loss.

COMMISSIONER ANGUS: Q. Who would determine that? Do you think the Railway Commission should decide the level of out-of-pocket expenses, or whatever is the level of variable expenses?

A. Yes. I believe it could be easily solved if the railways both had the same system of bookkeeping and could arrive at a common figure and not to have one say: I disagree with this figure of yours as compared to mine. That way they disagree before they ever get started. But I

believe they could figure out what it does cost fairly closely to haul one ton one mile. Then, that would have to be graduated through the volume of the goods handled at those rates. I think it could easily be developed as to what are equitable basic rates for given basic commodities, and that would be the floor. And then there is a ceiling through a maximum standard mileage tariff used, and it would fluctuate between, due to conditions of competition and whatever factors may come into it.

Q. You would leave it to the railways and to their accountants to estimate the proper amount?

A. Well ---

MR. COVERT: Q. You would want to have that checked by the B.T.C?

A. Oh, yes, absolutely. I would say that the buyers and sellers might be of a little assistance to one another in their different viewpoints and that the B.T.C. could sit in as referee in finally establishing it.

Q. The minimum, I take it, is based on the cost of service, plus fair and reasonable profit.

A. Oh, yes. I think that profit should be taken in as part of the cost of service.

Q. And you say that if they cannot get business at that minimum rate, they should let it go?

A. Yes, to every medium of transportation, or even to a competing railroad, if necessary. I think the way our railway system is set up, and the areas it serves, I do not think we have anything to worry about. All we have to do is to get busy and populate the country.

Q. If you had a maximum and a minimum, and left it to the

individuals to bargain in between; perhaps, if they were better bargainers in the west than in the east you would not have tremendous discrepancies?

A. It has been that way, too, possibly. But we are learning.

MR. BRAZIER: Q. Yes, we are learning from the easterners how to guard against them.

A. The wise men from the east are always of help to us. But I have in mind that our industries are, possibly, becoming national, or if not national, then national in scope, through the operations in which they deal. Take the meat packing industry, for example, and manufacturing industries of any description such as chemicals, drugs or hardware. They are not all so much self-centred in the east. They have branch houses all over the west, and they are beginning to recognize that the west has a few people out here, other than red Indians. And they are beginning to think that it is to their own interests to get around and see what they can do for these forlorn cousins out here. And I think that, through that principle, they can get together, even traffic men from the east and west, and industrial men. We still have our differences, but I think we could come out with a fairly workable plan. Sometimes we do not always agree. It would be a terrible thing if everybody agreed on everything.

Q. Now, arising out of the examination by Mr. O'Donnell, did you not say that the Freight Rate Association forced you to establish a branch at Kamloops?

A. That was one of the basic factors, because of not having the privilege of back haul under tariff 145. Our manufacturing plant is at Vancouver, and if we took anything

back to Kamloops, we would have to pay the full domestic rate with the mountain differential and everything else in it, back to Chilliwac or any of those places on the way back. But if we have a branch at Kamloops we can stop it off there and get the balance of the through rate. Therefore, that forced us to put that branch in at Kamloops in order to take advantage of that distribution benefit through the stop-off for packing, crushing and grinding, as it says in tariff 145.

But the men on the prairies, it is not necessary for them to do that, because they can do it on the balance of the through rate which is, in effect, just about a direct line. It is not the same as the sum of two local rates.

Q. In other words that was the major factor in deciding whether or not to build the branch at Kamloops?

A. Yes.

Q. Do you think there are many instances of freight rates constituting a major factor in determining whether or not branches or plants or industries are built up in certain locations?

A. Oh, yes, freight rates are the basis of our distribution, and you place your plants or situate them at the best place for distribution. That holds good in any form of business, and especially in the grain business. Our plant started at Edmonton because we could ship through on the continuous mileage or terminal rates. Q. Do you think there are many places where a differential between east and west has done that?

A. Oh, yes, but I could not tell you of any definite case. But I do know where that has influenced the placing

of a plant, whether in eastern Canada or in western Canada.

Q. You made reference to a referee agent when discussing the possibility of shippers and railways getting together, and the B.T.C. acting as a referee?

A. No, I did not say "referee," I said: "Reparations;" that is what I meant. I think it should work both ways on the negotiating end of it. I do not, possibly go along with the idea of some bright fellow discovering a rate which has been ⁱⁿ effect for a long while, and then his trying to get something out of it. I could quote you nothing better than the ^{new} mountain differential tariffs which are just coming in this morning. I think there are quite a few anomalies in them which will have to be negotiated.

But if we had reparations in connection with those tariffs in effect, on the first of July, and on the thirtieth of June - we have not had much time to lodge protests - but if the new tariff proves to be unequal or possibly not considerate - I would not say the order of the board - but if it is not - if it has not the equalization, then they should get together and iron it out. I think equalization should be brought about by the 1st of July, and if the tariff is not changed once a ^{month} after that, ~~it~~ would make the negotiation end of it far better and not all one sided.

Q. I understand that in addition to being engaged in business, a business which pays a very substantial amount of freight rates, you also take a great interest in this business of railway rates and transportation, generally?

A. Much to my sorrow, I presume.

Q. And you teach at the University of British Columbia?

A. No. Please do not put it that way. I lecture at the University of British Columbia's extension courses.

Q. Yes; and you have been doing that for some time?

A. The University of British Columbia has only taken over that course in the last two years. But prior to that for ten years, we carried on private courses.

Q. And you used to work for the railway, did you not, at one time?

A. Yes, and so did my father before me.

Q. That is all, thank you.

THE CHAIRMAN: Are there any other questions?

COMMISSIONER INNIS: Q. You spoke about the difficulties which followed in the case of rates which were made politically. I believe you mentioned "political saw-off". Are those rates to be before the Board?

A. If two parties come together and say: We must file these rates, then I do not know whether the Board would interject. They might have the power to do so, but whether or not they would, is a different thing. I think it would be the same as it is with respect to the rates over which the Board has control at the present time. I do not think they would enter into it.

Q. Do you think the Board would be influenced by political pressure at all, or by the effect of political opinion?

A. No. The Board of Transport Commissioners was not drawn into the negotiations of the C.F.A. tariff, whatsoever. Mr. Sinclair has stated how the negotiations came about out here. It was done by people wanting lower tariffs. I

remember how Mr. Tom Reid fought for that for years and years on the floor of Parliament. And then the government took it under advisement and called together the two railways and said: Something must be done. So that is a result of what happened. The Board of Transport Commissioners was not brought into it at all. It was a negotiated rate. The Government was interested, also the Department of Agriculture and the buyers and sellers out here. So the Board of Transport Commissioners only gave it their blessing, after the negotiation was finished.

Q. This would become only a means of negotiating rates?

A. Yes, that is right.

MR. O'DONNELL: Q. At a round-table conference?

A. Mostly on the political side, yes.

Q. Would the political people sit in on your discussions?

A. I don't remember how many times I discussed it with Mr. Tom Reid, but it was at that negotiation.

THE CHAIRMAN: Are there any other questions?
If not, I thank you very very much, Mr. Alton.

MR. COVERT: Mr. Chairman, the next submission will be No. 9 on the list, that of the British Columbia Tug Boat Owners' Association.

I might add, Mr. Chairman, that these people have been here since all day yesterday, and I intimated to them that we would try to get them on the first thing this morning.
Mr. Lindsay?

Mr. J. A. LINDSAY, Called

MR. COVERT: Q. Mr. Lindsay, would you give the Commissioners your full name please?

A. J. A. Lindsay.

Q. And you represent the British Columbia Tug Boat Owners' Association?

A. That is correct.

Q. And what is your official capacity in that organization?

A. I am a past president, and I am chairman of the committee which is charged with the presentation of this brief.

Q. You have a submission. Would you please read it to the Commissioners?

Page 3132 follows

THE WITNESS: Mr. Chairman and Commissioners: We respectfully ask that your Commission, when considering the question of coastwise freight rates or the feasibility of instituting a system of exclusive franchises on routes where services presently subsidized by the Federal Government are operating, accept and give consideration to the following submission of facts relating to the Towboat Industry in British Columbia.

This industry is of considerable magnitude, as evidenced by Table "A" attached hereto.

The industry had its origin approximately sixty years ago when the establishment of industries on the British Columbia Coast commenced. The first movement consisted of the transportation of logging camp equipment to camp sites on the coast and the movement of logs from camps to sawmills. Coupled with this was the handling of sailing vessels from deep water off the coast to and from sawmills and coal loading points and the movement of coal by barge from Vancouver Island mines to points of consumption on the mainland and in United States.

The industry has consistently developed so that today its field of activity covers the transportation of practically every commodity produced in bulk on the coast of British Columbia and in many cases it is the only economical means of transportation open to the products of these industries.

The towboat and barge service has kept pace with the industrialization of the coast area of the Province of British Columbia and we say without fear of contradiction, that the service rendered by the tug and barge

Mr. Lindsay

fleet on this coast is not excelled elsewhere.

The British Columbia coastline extends approximately six hundred and fifty miles as the crow flies with a total coastline of many thousands of miles, and when it is also remembered that by reason of the geographic nature of the coast, railways and highways do not exist, these industries and the day to day life of the employees and their families in these far flung areas, depend entirely upon waterborne transportation, of which the towboat fleet is a primary factor, there does not appear to be any room for doubt as to the importance of the service rendered by our industry.

Transportation on this coast divides itself into two main categories -- air transportation and water transportation. At the moment we are not concerned with air transportation and therefore this brief is presented to cover water transportation only.

The waterborne traffic has in a process of evolution, divided itself into two main classes of transport service, (1), the coastwise vessel, and (2), towboats and barge service. The coastwise vessels handle principally passengers, mail, express, fast freight, perishables, while the tug and barge industry, by the same process of evolution now handles all the traffic of logs and the major portion of the coarser bulk, non-perishable commodities such as sand, gravel, petroleum products, lumber and cement, coal, pulp and paper, lime and limestone, rock, pulp, chips, hog fuel, heavy logging machinery and equipment, etc. The latter service has proven itself beyond doubt to be the most suitable and economical for the movement of these commodities, as many of these places have no docking or

berthing facilities and cargo must be handled direct from shore to barge or vice versa.

Approximately twenty-five years ago covered barges came into use for the purpose of handling freight which requires protection from the weather. It was not until the commencement of the last war that this type of service reached its present volume. At this time, approximately 1940, coastal vessels serving the industries and communities on this coast were withdrawn from that service and placed with the United States Army Transport Service handling war materials to Alaska, and as a result a number of the industries on our coast were forced to find other means of transportation for their products, which, at that time, were for the most part connected with the war effort. As a result, large sums of money were spent building up this covered barge service to a point where today it is capable of handling the major movement of pulp, paper and cement.

The use of this covered barge service further demonstrated economies in transportation, but particularly further major economies in methods of handling cargo which could not be employed in the conventional type of coastwise vessel, to such an extent that today any restriction which might be placed on the free movement in this manner by tug and barge, would constitute a direct hardship on a number of our major industries at a time when it is particularly necessary, in view of changed world conditions, for industries to avail themselves of every possible means of economizing.

Moreover, the tug and barge service is highly flexible; for instance, a barge can be placed at a point for loading or unloading at the convenience of the shipper or consignee, but the tug which placed the barge there

does not have to stand by, but can proceed elsewhere and perform other work while the barge is being loaded or unloaded. In this way the tug's earning power is not cut down by stand by time. This cannot be done in the case of a coastal ship -- which must stand idle while loading or unloading cargo.

The tug and barge service may be compared with a railway train -- the tug being the locomotive and the barge the freight cars; the tug, which is the expensive unit to operate, working continuously and the barges being moved after loading or unloading has taken place.

Industries and communities on the coastline of British Columbia served by the tug and barge fleet must pay an arbitrary charge over and above the normal terminal rates made by the national transportation services. It is therefore vital to these communities that they obtain transportation services at the lowest possible cost. This is the service rendered by the tug and barge fleet.

Another factor which has contributed to the increase in the demand for tug and barge transportation is the fact that the towboat industry has consistently modernized and increased the size and efficiency of their equipment from year to year to meet increasing traffic conditions. These modernizations have consisted of the provision of bigger and better tugs, barges and covered barges, installation of modern diesel engines in tugboats and the conversion of steam tugs to diesel power.

In other words, every effort is made by the towboat industry to curtail operating costs by eliminating anti-

quated equipment and we are thus able to provide efficient service at fair and reasonable costs.

All of the above have involved large expenditures and all of the work has been performed in Canadian shipyards by Canadian workmen.

The customers served by this industry will, we think, without exception, bear us out on the points mentioned, i.e. efficiency of service and reasonable costs.

The towboat and barge industry has always operated on the principle of free enterprise. Competition is keen and healthy. The business is not controlled by any single Company or group of Companies. The tugs are operated under stringent Government regulations.

The rates in effect today are rates based on actual operating costs plus a reasonable margin of profit, depreciation, etc.

In conclusion, we make the following representations:

1. The tug and barge service on this coast has been and is a major factor in the establishment of British Columbia industries.
2. The growth and expansion of tug and barge service has been a natural outcome of the demands made upon it by the industries which it serves.
3. The tug and barge industry has been built up on a purely independent basis and is not controlled by any single firm or group.
4. In our opinion, any action on the part of your Commission which would tend to curb or regiment the activities of the tug and barge business, would be detrimental to the industrial life of British

Columbia. Respectfully submitted,

B. C. Towboat Owners' Association.



Mr. Lindsay

TABLE "A"

No. of Individuals, Firms and Companies operating tugs and scows and barges - - - - -	47
No. of tugs operated ranging up to 1800 H.P. of which 199 are Diesel powered, radiophone equipped for efficient control, and despatching - - - - -	260
No. of derricks - - - - -	20
No. of scows and barges up to 1200 tons capacity	350
Replacement valuation of equipment - - - - -	\$15,500,000
Service rendered in a wide area - with an overall length of - - - - -	650 miles
Tows made up to a distance of - - - - -	500 miles
Number of men employed - - - - -	2,000
Annual Pay Roll - - - - -	\$4,000,000
<u>Volume of some of principal commodities moved by tug, scow and barge.</u>	
	<u>Per Annum</u>
Sand and gravel	1,250,000 tons
Cement	175,000 tons
Coal	300,000 tons
Pulp and paper	216,000 tons
Rock	150,000 tons
Lime rock	300,000 tons
Hog fuel and pulp chips	759,000 tons
Oil and petroleum products	464,500 tons
Logs	3,000,000,000 F.B.M.
Other commodities, including lumber, shingles, and general cargo, too numerous to describe, with an estimated tonnage of approximately - - - - -	2,000,000 tons

MR. COVERT: Q. Just a few questions, Mr. Lindsay. On page 3 of your brief in the last paragraph you say:

"Industries and communities on the coastline of British Columbia served by the tug and barge fleet must pay an arbitrary charge over and above the normal terminal rates made by the national transportation services."

I wonder if you would perhaps clarify that?

A. I mean by that that a community on the coastline, let us say Alert Bay, the cost of shipping an article from let us say Winnipeg to Alert Bay is higher than shipping from Winnipeg to Vancouver, therefore the cost of living in Alert Bay must be higher than it would be in Vancouver. That is what I mean when I say terminal rates, that is the rates to Vancouver or Prince Rupert.

Q. Now, on page 4, the fifth paragraph, at the end of the paragraph you say:

"The tugs are operated under stringent Government regulations."

Are those safety regulations and so on? They have nothing to do with freight rates?

A. Oh, no; it is all to do with safety regulations, the personnel and all that sort of thing.

COMMISSIONER ANGUS: Q. Are these regulations of the Federal Government?

A. Of the Federal Government, yes, sir.

MR. COVERT: Then in the next paragraph on that same page you say:

"The rates in effect today are rates based on actual operating costs plus a reasonable margin of profit, depreciation, etc."

Now, I wonder if you could tell us how those rates are fixed; is it purely as a result of competition, or are there standard scales of rates, or how are they arrived at? Do the tug or tow boat operators get together and fix a standard set of rates? Would you mind elaborating on that?

A. Well, there is no standard rate.

Q. For anything?

A. We have an association of 47 members; all of the tug boat operators belong to the association, with one or two very small exceptions. The purpose of the association is definitely not to fix rates. During the war our rates were controlled by the Wartime Prices and Trade Board, and it was necessary for us to make representations to that Board on two or three occasions in order to endeavour to get increases, and we were successful in two cases, but the rates in effect today are set by individual operators, but they are guided by the association on the matter of how to figure costs, so that the companies do use similar methods of book-keeping to arrive at their costs, which is important.

Q. Now, is there any uniformity in the rates among the various operators, or is there any competition?

A. Oh, there is very definitely competition, very definitely competition.

Q. Resulting in some operators charging less for performing the same service?

A. Very definitely, very definitely; but remember, the competition comes into more than rates; the competition comes into service. For instance, we might be able to handle certain commodities from, let us say,

Beaver Creek to Vancouver, cheaper than a competitor might be able to handle it, because we might have a better type of equipment to handle that particular commodity, and these companies have to a large extent specialized on certain types of equipment for handling certain commodities. For instance, one company handles a large portion of the cement here; we might handle a large portion of a certain other commodity, and we have equipment suitable for that particular commodity. For instance, we handle pulp chips, we will say. Now, the equipment we use for pulp chips would not be suitable to handle cement, and that is where the competition comes in.

Q. Do any of the companies ever reach the stage where they perhaps put in rates that are so low that they drive someone out of the business, or perhaps they are driven out of the business themselves? I mean, have you had towboat companies or owners forced out of business by virtue of this competition?

A. I have never known of any company, of any substantial company, to be forced out by competition, no. Certain companies have gone out, but it has been some other factor that has come into it, not competition. Competition in our industry is a very healthy competition, but still it is keen.

Q. What you are saying is that the towboat owners are providing good service, and you think fair rates?

A. That is right.

Q. And that they do not need any regulation

A. That is right.

Q. At least, the time certainly has not arrived yet?

A. That is right; and anything that might be done to regulate would have an adverse effect on the general business at large.

Q. Just one more question. You mention about when you had to go before the Wartime Prices and Trade Board, I think it was, to have some rates raised; at that time did they inquire pretty carefully into your costs?

A. They certainly did; they went into them from one end to the other.

Q. And they were satisfied, and permitted you to raise the prices in certain instances?

A. That is correct.

Q. That is all, thank you.

COMMISSIONER ANGUS: Are there any other questions

MR. SINCLAIR: We have no questions.

COMMISSIONER ANGUS: Thank you very much.

MR. COVERT: The next one, Mr. Chairman, is the Bella Coola Consumers Cooperative Association. Mr. Gargrave.

HERBERT GARGRAVE, called

EXAMINED BY MR. COVERT

Q. Mr. Gargrave, would you give the Commissioners your full name?

A. Herbert Gargrave.

Q. You may sit down if you wish, Mr. Gargrave. Now, would you tell the Commission your position with the Bella Coola Consumers Cooperative?

A. Well, I am acting in a purely voluntary capacity for the Bella Coola Cooperative Association on this occasion. Up until June 15 I was the legislative representative for the area in which Bella Coola is situate; some unfortunate

happenings occurred on the 15th, and I am no longer representing that area in the legislature, but I do have a knowledge of their problems, and I promised them that I would appear before the Commission on their behalf.

MR. COVERT: Now, I would like to say, Mr. Chairman, that this brief deals with a matter particularly related to one shipper, the Union Steamship Company, and they are represented here, and I think ---

MR. BRAZIER: Mr. Milton Owen, Mr. Chairman, is here representing the Union Steamships, and would like the privilege of asking questions.

MR. COVERT: Q. Then, Mr. Gargrave, would you present the brief?

A. Mr. Chairman and Commissioners, I would like to say at the outset that I would apologize for the amateurish way in which this brief has been prepared. We had no professional assistance at all. The figures in there have been obtained by the Co-op from their own invoices and from the manifests of the Union Steamship Company. And, if I may say so, sir, I feel that had other communities on the coast been aware of the wide range of your Commission there would have been similar representations to this one submitted, because I think I can say without any fear of contradiction that I speak for many thousand residents on the coast in presenting this point of view.

The basic problem underlying this submission is that of establishing the right of the people resident in the coastal areas of B.C. to have set up some controlling body for the regulation of fares and freight rates to areas served by coastal steamship companies.

It has been established and recognized that areas

served by railroad are protected against unfair freight and fare structures by the control over same exercised by the Transport Commissioners and before any increases can be put into effect a case must be made by the railroads.

Coastal areas in B.C. are as fully dependent upon steamship service as are areas served by railroad, in fact more so, because most coastal points have no alternative road systems as have most mainland areas. It is then a fact that steamship service is the very life blood of most coastal communities.

In dealing specifically with the problem of the Bella Coola Consumers Cooperative Association I attach hereto some examples taken from invoices and manifestoes to give you some idea of the increases which have been arbitrarily imposed by the Union Steamship Co.

Bella Coola like many other coastal points is exclusively served by the Union S.S. Co. and has a weekly boat service, except on occasions when the period between boats is greater. Last year the steamship company announced its intention of changing to a two week service but fortunately they were persuaded to maintain a weekly service.

Fares have been increased three times since 1946 and as you will see from the few examples of freight rates attached at least three increases in that field have gone into effect in the same period.

A new method of computing freight rates by cubic measure has also been introduced and the company can and do arbitrarily change rates by manipulating the two methods, to the extent that the Cooperative inform me that last winter the freight rates fluctuated from week

to week and they could not set the retail price of some commodities until after they had received the freight costs each week.

This situation has now changed for the better but the Coop fear that without some governing authority a repetition of such conditions may again arise.

The general complaint has been that even the wharf agent Mr. Hart had no knowledge until the boat arrived of the charges and he has stated that his estimates were always below that of the charges when the boat arrived. Every attempt was made to get some definite schedule of charges and finally on April 18th, 1949, the following charges were laid out in a letter received from the Union S.S. Co.

	<u>Freight</u>	<u>Handling</u>	<u>Wharfage</u>	<u>C/R.</u>	<u>Total</u>
Feed per ton	\$13.00	\$2.00	50c.	.05c.	\$15.55
Fertilizer per 40 cu. ft.	\$10.50	\$2.00	50c.	.15c.	\$13.15
Groceries per 40 cu. ft.	\$10.50	\$2.00	50c.	.15c.	\$13.15
Hardware and general freight per 40 cu.ft.	\$10.50	\$2.00	50c.	.15c.	\$13.15
Flour per ton	\$10.50	\$2.00	50c.	.15c.	\$13.15

COMMISSIONER INNIS: Q. Are you talking of a particular distance in this table?

A. The distance is, as I understand, from Vancouver to Bella Coola.

A later letter from the company stated this tariff came into effect on June 11th, 1948.

It will be noted that many of these commodities are now charged by cubic measurement rather than by weight

and that move has increased costs considerably. For instance, last month it cost \$17.00 per ton for hay it now being measured by cubic content.

In addition as already mentioned there seems to be no defined method of charging. For instance flour has a price per ton, but on one order last winter of flour, seed, fertilizer and rock salt the company figured the freight charges by cubic measurement except for the ~~xxx~~4 salt which was charged by weight.

The company may well claim that the schedule of rates set in June 1948 is now the established tariff, but by such manipulations as mentioned above the price can change even from week to week and because of the monopoly character of the transportation problem there is nothing the residents or business people from Bella Coola can do about the matter.

Another aspect of the problem is the freight rate in effect from port to port on the various routes. To take the case of Bella Coola again. This area produces a fairly large amount of root crops such as potatoes. Last winter approximately 300 tons were shipped and the natural market is Ocean Falls, approximately seventy miles by sea and several large logging camps within 150 mile radius. In addition fairly large amounts have been shipped north to Prince Rupert.

In 1949 the freight rate in effect for potatoes to Prince Rupert was \$13.10 per ton. In 1947 and 1948 the rate was \$10.50 per ton. Prince Rupert was able to obtain potatoes for \$6.50 per ton freight rate from other sources and consequently the Bella Coola producers had to take \$4.00 per ton less to allow for the difference in freight rates.

In September 1948, the Coop were notified by Ocean Falls that they could obtain potatoes from Vancouver for \$6.50 a ton plus handling charges. The Union S.S. Co. charged \$8.50 a ton plus handling from Bella Coola to Ocean Falls and consequently the producers had to take off \$3.00 a ton to compete with other shippers.

Last winter several shipments of potatoes were made to Englewood, a camp approximately half way between Bella Coola and Vancouver. The charges on these shipments were \$10.50 a ton and in order to meet Vancouver competition with lower freight rate charges the producers had to take off \$3.00 a ton.

Generally speaking Bella Coola feels it has been discriminated against as compared with Ocean Falls which is approximately the same distance from Vancouver. When previous minimum rates were in effect the rate to Bella Coola was seventy cents, to Ocean Falls fifty-five cents. The present minimum rate is \$1.40 to Bella Coola and \$1.20 to Ocean Falls. The fare has always been cheaper to Ocean Falls than to Bella Coola.

The service to smaller communities in the northern section of the coast has been gradually getting worse, particularly in the winter. Just one example that was drawn to my attention during last winter was the whole of Rivers Inlet which has some three or four ports of call in summer months. Last winter all passenger boats were cut off the run and a freight boat provided every two weeks. This boat had primitive accommodation for three passengers and would not allow women unless accompanied by their husbands. To get to Vancouver the passengers had to travel north until a regular steamship port was

contacted and then transfer to come back to Vancouver.

I would like to mention in that connection one example that was given to me last winter, of a man who wanted to get from Wadhams, which is at the mouth of Rivers Inlet, to Vancouver; he had to take this freight boat. The boat was supposed to call into Namu, but for some reason it didn't. The passenger had to pay his fare to Ocean Falls, had to stay two days in the hotel at Ocean Falls, and then had to pay the full fare back from Ocean Falls to get to Vancouver, which is rather a primitive way of travelling in this modern day and age.

One other factor as far as service is concerned. The residents of Ocean Falls are not given proper consideration in summer months.

Mr. Chairman, I might say this applies to all steamship companies, not only the Union Steamship Company.

Due to the large number of tourists who take round trips to northern points in B.C. only limited accommodation is available to the residents of Ocean Falls and I am informed that accommodation is already booked until the end of September. On several occasions residents all ready to leave for their summer vacations have been left on the dock and this year does not promise any difference in this condition.

The whole picture warrants a complete investigation in the interest of people living in coastal areas.

May I repeat the opening sentiments of this brief. If it is considered to be in the interest of the public that railroads should be controlled as to fares, freight rates, etc. by the Board of Transport Commissioners then I submit that a similar controlling factor should be

introduced to cover coastal shipping which is essential to the general welfare of the coastal communities as railroads are to mainland communities. In fact the case for the coast is even stronger because there is little or no competition either by air or by road.

All of which is respectfully submitted.

MR. COVERT:Q. There is a table attached to your brief, Mr. Gargrave?

A. Yes; I don't know whether you want the figures read.

Q. No; that can be copied into the record as if it were read.

- - - - -

Freight rate survey taken June 1949

MEAT from Burns - Bologna, sausage, bacon, hamburger, etc.

June 1946	Rate - \$.95 per cwt	} Amounts charged & taken from invoices and manifesto.
Nov. 18, 1947	" - .95 " "	
Mar. 23, 1948	" - \$1.35 " "	
April 23, 1949	" - \$2.77 " "	

- - - - -

FEED, fertilizer & Seed (Mixed orders)

June 1946	\$6.55 per Ton	
July 16, 1947	\$6.55 " "	
Mar. 23, 1948	\$9.00 " "	
May 14, 1949	\$9.88 " "	plus wharfage & handling.

- - - - -

FLOUR

June 1946	\$ 8.00 per ton	
Dec. 17, 1948	\$13.00 " "	plus \$2.00 handling, plus wharfage
March 22, 1949	\$10.50 " "	plus handling & wharfage = \$13.15 per ton.

The flour rate has come down since going by ton rate. Orders that come by cubic measurement were higher.

GROCERIES

May 14, 1949 - Generally sent by cubic measurement which cost twenty-six and one-half cents per cubic foot plus five cents handling, plus wharfage. This works out so our freight on groceries comes to six per cent of cost price. The bread comes by weight and costs \$1.00 per carton.

1946 - At this time the store allowed five per cent of cost price to bring the groceries from Vancouver into our warehouse at the store.

DRYGOODS & HARDWARE are now sent by cubic measurements. On figuring amount charged from manifesto it came to thirty-seven cents per cubic foot in 1949. This doesn't seem to coincide with figures quoted by U.S.S. This makes our hardware very expensive for instance on Oct. 12, 1948 - twenty-seven pieces weighing 430 lbs. consisting of 12 airtight heaters and stove pipes costing \$99.85, cost us in freight \$16.85.

MR. COVERT: Q. If there are any comments that you want to make on that table, now would be the time to make them.

A. Yes, I would like to say, sir, as far as the tables or the rates are concerned, I do not claim to be an expert witness as far as the compilation of freight rates is concerned. I do not know whether these rates are justified or not, but the sentiments that I expressed in the last paragraph to my mind warrant that somebody should investigate as to whether or not the steamship companies are charging on a fair basis to the people on the coast.

There is considerable unrest among residents of coastal areas as a result of the method by which fares and freight rates have been increased from time to time, and as far as these rates are concerned and as far as the Bella Coola Co-operative is concerned, until they received the tariff of charges last April, April of this year, they had no idea of what the rates were in effect for the various commodities that are shipped to them, and they inform me they have had tremendous difficulty in ascertaining the freight rates for the commodities that are shipped into their district.

MR. COVERT: Now, just a few questions I wanted to ask to clarify the brief, Mr. Chairman.

Q. First, just how far is Bella Coola from Vancouver?

A. I would say it is a little better than 200 miles, 250 at least.

Q. Is that as the crow flies or is that as the boat goes?

A. Well, it may be around 300 by the route that the boat takes, because it calls in at various points, it does not go direct.

Q. Then I understand Bella Coola is situate on a river, is it?

A. Yes, the Bella Coola River.

Q. And Bella Coola is quite a distance from the mouth of the river?

A. The town of Bella Coola is about three miles from the dock. The Bella Coola valley runs some forty or forty-five miles inland.

Q Then this other place that is mentioned in the brief, Ocean Falls, is a little further north of Bella Coola? Is that correct?

A I do not think it is north. It is at the head of another inlet. It would be about the same distance north. Bella Coola is at the head of one inlet and Ocean Falls is at the head of another inlet. Ocean Falls is a company-owned town that produces pulp and paper, and there is no valley leading into it. It is just a small area at the head of the inlet.

Q. Would you compare the comparative sizes of the two towns?

A. Bella Coola valley, of course, is a very scattered area, but I would say the population ratio would be in favour of Ocean Falls to the extent of at least three to one, perhaps a little more.

Q. Now, the number of inhabitants of the town of Bella Coola itself is about how many?

A. I would say the town itself would be fairly close to five hundred.

Q. And the town and valley about --

A. There would be anything from five hundred to one thousand people in the whole valley.

Q. My understanding is that you simply say as far as you are concerned you don't know whether the rates are too high or whether they are paying the steamship company. All you are saying is that if regulation is a good thing for the railways it should be applied to these coastal steamships?

A Definitely.

Q You also say that one of the main circumstances complained about is that you have really never known until very recently what the rates are?

A That is correct. May I say too that the residents of the area feel very definitely that the rates and fares are too high, but that may be a common complaint of residents of other districts.

Q If it were established that the rates were not high enough to pay the cost of operation, you feel there still should be regulation?

A Yes, I am instructed by the Bella Coola Co-Operative Association to say that if it is discovered that the rates are too low they have no objection to paying a fair rate, but they are satisfied from their knowledge that an investigation will not show that situation.

Q I think you know that the Union Steamship Company which performs the service is subsidized by the government now, is it not?

A Yes, they are, I understand.

Q And you know nothing about the relationship of the subsidy to the operation to Bella Coola?

A No, but I understand that the subsidy is paid in part for the service to Bella Coola as well as to other areas.

Q To sum up you say there should be regulation because if it is a good thing for the railways it is also a good thing in this case, and there should be stability of rates?

A Yes, we think a control in authority would ensure stability of rates. I should like to say this. I should

have said it in preparing my brief. Last season the associated boards of trade of the lower mainland of British Columbia adopted a resolution calling for a governing authority to cover the question of coastal freight rates, at a conference that was held in the Fraser Valley. I endeavoured to get the resolution they adopted, which was sent to me since I was interested in that matter, but I have not been able to place my hands on it. If it would be of value to the Commission I will get it and see that a copy is forwarded to you.

MR. COVERT: I think that is all.

MR. O'DONNELL: I have no questions.

MR. BRAZIER: For the information of the Commission, and in view of the fact that only the Bella Coola people are represented on this question, I should advise the Commission that all boards of trade in the province, including all those in the coastal area, were advised of the hearing by personal letter from the Vancouver Board of Trade. I did in fact receive some letters from the Powell River and Prince Rupert Boards of Trade. I do not know why they are not here, but they did have full knowledge of the situation.

CROSS-EXAMINATION by MR. OWEN

Q In paragraph 4 of your brief on page 1 the word "manifestos" is used. I presume you mean "manifest". It has nothing to do with manifestos?

A Manifest. I think perhaps I have been associated with the election too long. It should be manifest.

Q You represent solely the Consumers Co-Operative of Bella Coola. Is that right?

A That is right.

Q That is signified in your brief?

A That is right.

Q Well, your brief refers to areas like Ocean Falls and Rivers Inlet and so on. You are not representing those areas?

A No. I merely mention them because I have knowledge of the situation, and had they been aware of the Commission's sweeping powers I am quite sure they would have authorized me or sent somebody if they could afford it.

Q It was some time ago you were authorized by the Bella Coola Cooperative to appear here?

A June 19 was the last authorization.

Q You did know some time before the provincial election in British Columbia, didn't you? That was on June 15?

A No, I received the first request during the process of the election. I think I have the first letter here.

Q You agree that the provincial election in British Columbia was on June 15, don't you?

A Oh, yes.

Q You remember that?

A Very definitely.

Q I understood you to say in explaining why you were here, when you were asked one question, that you had been asked to do so prior to the election but unfortunately the situation changed somewhat after that time?

A May 26 was the first date I had a letter.

Q So that that particular organization knew on May 26, in any event, or before then probably, that there was a hearing before this Commission?

A Yes.

Q So I suggest to you it was quite well open to any other boards of trade or other organizations interested on this coast to have representation here if they wished it?

A I imagine it was quite possible, but there are distances and expenses involved in a hearing of this kind that prohibit some of the smaller organizations that would otherwise appear.

Q Do you live at Bella Coola?

A No.

Q Where do you live?

A In Vancouver.

Q This is merely one organization at Bella Coola?

A Yes.

Q It is not even the only co-operative association there, is it?

A It is the only consumers' co-operative.

Q It is the only consumers' co-operative, but there is a producers' co-operative there also?

A Yes.

Q Let us deal with this consumers' co-operative for a moment. That is a store, is it not?

A That is right.

Q Anyone wanting to buy goods from that store can become a member; is that right?

A That is right. There is nothing unusual about that. All consumers' co-operatives are the same way.

Q Dealing with your brief, you have two or three points here where you are dealing with individual circumstances. There is one general statement on page 1 where

you mention a new method of computing freight rates by cubic measure?

A Right.

Q Are you familiar with the cartage business or shipping business?

A No.

Q In great detail?

A No, I am not.

Q Would you be interested to know that the system of using either cubic measure or tonnage weight has been in effect in the transportation business for many years?

A It may have been, but my principals inform me it is an innovation as far as the Bella Coola run is concerned.

Q Would you be interested to know that ever since the inception or institution of the Union Steamship Company these two systems have been in effect?

A I would be interested to know.

Q Can you deny it?

A No. I think the Bella Coola Consumers' Association would also be interested because evidently they don't.

Q You have no way of denying that?

A No, I don't wish to deny it. I am merely telling you what the Bella Coola Cooperative Association asked me to tell the Commission.

Q You are merely passing on what they have told you or someone has told you?

A It is what they have --

Q Some purchasers at this store?

A It is what the Bella Coola Cooperative told me, that they have gathered this information from their manifests

and invoices. It is not hearsay.

Q You have nothing dealing with their invoices in the year 1945, have you?

A No.

Q Or 1946?

A No.

Q Or 1925?

A No. I don't know whether they are in existence.

Q You have nothing at all in your brief which will in effect deny that statement that I made that it has been in effect for many years?

A No, what I want to say and say it very definitely, and have it on the record, is that the Bella Coola Consumers' Association told me the method of computing freight rates on cubic measure is a new method as far as their particular district is concerned.

Q You mention in the last paragraph on page 1 of your brief a man by the name of Hart?

A Yes.

Q You complain in your brief that he did not even know the proper rates to be charged?

A That is right.

Q Mr. Hart is not an employee of the Union Steamships; he is the government freight agent at that port?

A Yes.

Q Do you think there is anything unusual about him not knowing the particular rates of the Union Steamship Company?

A Of the Union Steamship Company, I would say no.

Q That is all we are dealing with. On page 2 of

your brief you go into great detail about the matter of shipping potatoes. I suggest to you that the matter of shipping potatoes from the area of Bella Coola is a matter that would be mainly interesting to the Bella Coola Producers' Association, would it not?

A Yes, but I understand the Consumers' Association handles them after.

Q Now, there is a Producers' Cooperative Association at Bella Coola; is that right?

A That is right.

Q And they handle the shipment of potatoes?

A I don't know whether they do. The information I have comes from the Bella Coola Consumers' Cooperative.

Q I know that. That is what I am trying to restrict you to. You would think the producers, would you not, Mr. Gargrave, would be very materially interested in any shipping prices or rates on potatoes from that area, would you not?

A They are very materially interested.

Q They are not on this brief though?

A I suggest the mere fact the Bella Coola Consumers' Cooperative Association are giving me this information - they must have either acquired it from the Producers' Association or they must be submitting it jointly.

Q You are just assuming that?

A Yes, I am assuming quite a lot of things.

Q But you are not here acting for the Producers' Association?

A No.

Q And they have not submitted a brief?

A No, but I want to say this to the Commission. You have got to understand the set-up of some of these producers' associations. They are certainly not familiar with the method of presenting briefs and appearing before a Commission of this kind, and I am going to take this assumption, that they took it for granted when this information was relayed to me that their problem would be placed before the Commission.

Q You have nothing to show that. That is your assumption?

A No, but I am asking you if these rates are not correct you tell me they are not correct no matter who is right.

Q I am asking questions just now. On the question of the Producers' Association, as a matter of fact, that particular cooperative has been in existence for many years longer than the Consumers' Cooperative, has it not? Do you know that?

A I am not familiar with that.

Q I am advised it has been?

A Do you know that for sure?

Q Yes, Mr. Gargrave. In any event, this question of the rate on potatoes being shipped from Bella Coola has been dealt with, and was dealt with very definitely by this company on March 4 this year, was it not?

A That I have not been advised.

Q You were not advised that the rate, which you claim was too high, was set voluntarily by this company at \$7 per ton?

A I know in 1949, according to my information, the

rate is not \$7 per ton.

Q You are quite surprised to know that, are you?

A Yes.

Q Do you know Mr. R. E. Snade of the Bella Coola Producers' Cooperative?

A Yes.

Q Have you discussed this with him?

A No, I have not.

Q I suggest you might do that because you see I am going to produce to the Commission a letter from the traffic manager of the Union Steamship Company dated March 4, 1949, in which the freight was set at \$7 per ton, and that was done voluntarily by the company, Mr. Gargrave, on representations being made by that producers' cooperative?

A Where are the rates set at \$7, from where to where?

Q Carload lots from Bella Coola to Vancouver.

A What is a carload lot? I would like to know that.

Q Fifteen tons, I am told.

A There are very few of the shippers ship 15 tons at a time.

Q It is a cooperative though?

A I suggest to you that a carload rate for Bella Coola is ineffective.

Q You don't deny that this change was made on March 4 this year?

A No, I am not in a position to deny it but I say it is of no value to the consumers.

Q At any rate, this would have corrected the situation, I suggest to you --

A I say definitely --

Q -- that you complain of for a page and a half in your brief?

A I say it would not because they do not ship any carload lots except on very rare occasions.

Q You say these cooperatives do not ship in carload lots?

A Except on occasions.

Q What is the purpose of a cooperative if they do not work together to save costs?

A You see on the British Columbia coast, with which I am quite sure you are familiar, there are orders come in from time to time from logging companies, canneries, and various other bodies, that do not want the shipment of carload lots to them. Most of the potatoes that are shipped are shipped to way ports. They are not shipped to Vancouver for selling. The market, as I mention in my brief, is a market of surrounding areas, and consequently unless they were shipping to Ocean Falls where they would take in carload lots, I suggest a shipment of perhaps a ton would be a pretty fair shipment for a logging camp to buy.

Q You are complaining in your brief about the rate to Vancouver for potatoes from Bella Coola?

A No, I am not.

Q Oh, you are not? Perhaps I cannot read English.

Q A Perhaps you cannot. That is not my fault.

Q No, I do not suppose it is. However, we will pass on.

A I would like to know, Mr. Chairman, if Mr. Owen is suggesting I am complaining about the cost to Vancouver. I

suggest very definitely in my brief Vancouver is not the market. Potatoes can be acquired from other points than Bella Coola for the Vancouver market.

Q We will pass on, Mr. Gargrave. You have made the statement in your brief that Ocean Falls and Bella Coola are approximately the same distance from Vancouver. I suggest to you for water traffic Bella Coola is some sixty miles farther than Ocean Falls from Vancouver?

A I doubt whether it is that much. It is a little.

Q I am advised that it is definitely sixty miles. Do you deny that?

A Well, I haven't got a map here. I am not in a position to say, but I would say it is a little farther. I don't think it is sixty miles, but if you go to Ocean Falls first, of course --

Q How far would you say it would be?

A I would say at the outside forty miles, but if you go a different way -- it just depends what inlet you follow.

Q You would say it would be at least forty miles?

A About forty miles.

Q And the total distance from Vancouver to Bella Coola is what, 250?

A About 250.

Q Are you suggesting with that extra distance, and the fact that Ocean Falls is closer to the main shipping line than Bella Coola, that there is anything untoward about the difference in rates?

A Nothing untoward; I don't suggest at any time there is anything untoward.

Q Do you not in your brief?

A I merely mention that there is a difference and the people in Bella Coola feel they are being victimized.

Q Let us look at page 3, the top paragraph in your brief, which reads:

"Generally speaking, Bella Coola feels it has been discriminated against as compared with Ocean Falls which is approximately the same distance from Vancouver."

Then you go on to quote rates?

A That is right.

Q You say:

"When previous minimum rates were in effect the rate to Bella Coola was 70 cents, to Ocean Falls 55 cents."

Do you think that is any great discrepancy in view of the distance? You say forty and I say sixty miles between those two places.

A I suggest we can quite easily arrive at that without guessing. We should have the information. I think the Commissioners should obtain the information as to just what the water distance is between Vancouver and the two ports.

Q I will tell the Commission that the Union Steamship Company, who should know and are travelling that route daily, say it is sixty miles difference --

A I say the difference between --

Q -- from Vancouver to Ocean Falls compared with Vancouver to Bella Coola?

A The Union Steamship Company always go to Ocean Falls first and then to Bella Coola. I suggest if we have

a map here I can show you where the distances are not very greatly different.

Q The distances I have quoted to you are the distances from Vancouver if you took a boat and went straight to Bella Coola?

A I still suggest sixty miles is --

Q At any rate, on a forty mile basis you admit there is not much untoward about the difference in rate, is there?

A No, I am merely presenting what the Bella Coola people asked me to present. They feel there is discrimination.

Q They feel there is discrimination on that difference. As a matter of fact, at Ocean Falls the C.N.R. steamships call there, too?

A Yes.

Q And they do not call at Bella Coola?

A No, nor the C.P.R.

Q The C.P.R. call at Ocean Falls but do not call at Bella Coola?

A That is right. That means, of course, that the Union Steamship Company have all the traffic from Bella Coola. They have no competition.

Q You want to make a point about that?

A No, I am merely making a statement of fact. It is not a point.

Q Now, you are making complaints on page 3 of your brief about the passenger accommodation from Ocean Falls. You are not acting for the Ocean Falls Board of Trade or any cooperative there?

A It is a company town. There is nothing but the company there.

Q You are not acting for the company then?

A No, but I am speaking definitely on behalf of the residents of Ocean Falls.

Q In this brief?

A I am speaking right now on behalf of them.

Q Have you any credentials to show you are speaking on behalf of the people of Ocean Falls?

A Just one hundred complaints over the past eight years.

Q Have you got the complaints here?

A No, but I can quite easily see that the Commission get them.

Q You are not pretending that you are acting for all the people of Ocean Falls today, are you?

A No, I cannot pretend to make that statement at all, sir, but what I am saying is know the condition that exists there, and if I did not present it to the Commission I would feel I was delinquent in my duty.

Q Now, when you are complaining about the passenger accommodation from Ocean Falls I suggest to you that you are thinking of the berths from Ocean Falls down to Vancouver. Is that right?

A Yes.

Q You are not thinking of people not having enough space to get on the boat even or being refused entrance to the boat?

A No. I know if you bring your wife and family down you do not want to sit up with them all night.

Q Have you tried this yourself recently?

A What?

Q From Ocean Falls?

A Yes.

Q And how far ahead did you try to get your accommodation?

A I was rather fortunate. I think ahead of these things, and I booked well in advance. I booked my return passage from Vancouver. I wasn't in the unfortunate position of having to book from Ocean Falls.

Q If you come back from Ocean Falls you can reserve?

A Yes.

Q It doesn't matter whether you are travelling by steamship or by railway it is generally wise to reserve ahead, is it not?

A Yes.

Q If the Company has a service at Ocean Falls whereby people from Ocean Falls can reserve passage and staterooms to Vancouver, are you suggesting it is unreasonable of the company, when they have no reservations from Ocean Falls in advance, to refuse to take an empty boat from Vancouver to Ocean Falls, that they must keep that boat free in case someone at Ocean Falls at the last minute wants to come to Vancouver?

A No, I am not suggesting it is unreasonable at all.

Q I am suggesting that is the effect of what you say?

A I am merely talking about a condition which exists. You can feel it is unreasonable as much as you

like, but I want to suggest that in an operation as big as Ocean Falls people do not select their holidays months in advance. They are invariably told by the company, "you can get this period."

Q When, the day before?

A No, not the day before.

Q They know a little ahead?

A I suggest in many cases it is not more than three or four weeks before. In that event they would be out of luck this summer.

Q I am informed and instructed to tell the Commission that the statement in here that reservations are tied up completely until September is entirely wrong. It is still possible to reserve any boat from Ocean Falls to Vancouver if you reserve a short time ahead, within a month?

A You are making that as a statement of fact on behalf of all the steamship companies?

Q I am not saying one week it won't be different, but I am saying that the statement you made is untrue, that the service is entirely tied up until September?

A That is what I am informed by residents of the district.

Q You don't know yourself then? You haven't investigated?

A I am only going by what I am told but I would like to get this straight. You tell me --

Q I will give it to you after. You see I am still asking you questions, if you don't mind.

A I don't want to get crossed up on this because the people of Ocean Falls will be certainly glad to hear this.

Q So that you admit it is not unreasonable if a person goes down to the steamship office in Ocean Falls at the last minute and not before, and decides he wants to go to Vancouver and finds then that the boat has no vacant berths. You would not suggest that was unreasonable, that the company was doing something wrong?

A No, not if it was the night before, but I want to say I think it is unreasonable if you try to reserve two, three, four weeks ahead and still cannot obtain space for yourself and family. I think that is definitely unreasonable.

Q You have not given any occasions except to mention that you have been told that has happened. Is that right?

A Yes. I can assure you and the Commissioners I will obtain specific information within the next forty-eight hours and see the Commissioners get it before they leave.

Q Mr. Gargrave, I take it generally from your brief you are complaining about the increases that were given to this company over the past number of years on these rates. Is that right?

A Yes.

Q Now, do you really think it is so unusual that this company asked for and obtained increases in its rates? Are you sincere in that?

A I wonder first of all who they asked and how they obtained them.

Q We will come to that, but let us deal with this.

A I am instructed by my principals to say they feel they are unreasonable.

Q That they are unreasonable. That is not your own personal opinion, is it?

A I think the fares are not.

Q You know very well, Mr. Gargrave, don't you? You know personally from your experience that this particular company, Union Steamships, has been operating at a loss for some years?

A That is what I understand. I am not quite sure.

Q You agreed not so very long ago, did you not, that if any increases were to be given in response to wage demands by various unions that this company could only keep going by increasing its rates?

A I don't know when I agreed to that.

Q Let us just refer, Mr. Gargrave, to a conciliation board of which you were a member representing the Association of Marine Engineers of Canada. That was in August, 1947. Do you remember that?

A Yes, very well.

Q And you were the union representative on the board. Is that right?

A That is right.

Q That was a unanimous decision of that board, Mr. Gargrave?

A That is right.

Q With the exception of one paragraph, paragraph 8, you agreed with the whole report, did you not?

A Yes.

Q On page 3 of this conciliation report, Mr. Gargrave, it says this:

"On the other hand, it is urged that the steamship

services of the Canadian Pacific Railway, the Canadian National Railways, and particularly the Union Steamship Company and Frank Waterhouse and Company Limited, presently are operating at substantial losses. This is due to greatly increased operating costs and in spite of greatly increased traffic. A slight increase in passenger fares and a small freight increase has not served to close the gap. Any increase in wages, or reduction of hours where the recipient is on a monthly wage, of course adds to the operating cost, and unless followed by an increase in efficiency adds to the deficit. Due to the nature of the employment under consideration efficiency cannot be materially increased, and therefore the additional cost of the request is a straight overhead addition, and if allowed can be compensated for only through increased operating efficiency and/or increased passenger fares and freight rates."

You were a member of that union committee, were you not?

A That is right.

Q So that you were quite convinced personally that this company -- it says particularly the Union Steamship Company -- was operating at a loss, and this particular conciliation board awarded the increased wage demand, did it not?

A That is right.

Q And other betterments of working conditions which cost money to the company in this particular award?

A I think there were.

Q Particularly on hours of work. Isn't that right?

A I cannot remember the award. It is a long time ago.

Q And this is only one union that this company would be dealing with?

A Oh, yes.

Q And all these other unions around the same time were asking for and obtained increases?

A As far as I know, yes.

Q Now then, Mr. Gargrave, I suggest to you it is not too unreasonable that this company did seek and did obtain increases in its rates?

A It just depends how much the increases in fares and rates have got to compensate for their increases costs. The people of Bella Coola maintain the increases they have have more than compensated for any increases costs.

Q The store customers you have talked to?

A Yes, and the people generally on the coast, and in addition to which it must be remembered the Union Steamship Company have newer boats, more efficient boats, faster boats.

COMMISSIONER ANGUS: When you say "did seek" do you mean from the Maritime Commission?

MR. OWEN: I am coming to that right now.

COMMISSIONER ANGUS: From the Maritime Commission in the contract dealing with their subsidy?

MR. OWEN: No, generally on all their rates.

Q I take it your main complaint --

A Are you coming back to that, sir?

Q To the Maritime Commission?

A Yes.

Q I am coming to it right now.

A I wouldn't miss it.

Q The first paragraph of your brief and the last paragraph, apart from all these individual small complaints, lead me to believe that your main point is there should be some controlling board for the regulation of fares and rates on this coast. Is that right?

A Yes.

Q And that was evidence by a motion you put before the British Columbia legislative assembly in April of 1948 that there should be some body set up to control rates on shipping on the coast? Is that right?

A Yes.

Page 3174 follows

Q. Mr. Gargrave, you wanted some board set up similar to the Board of Transport Commissioners?

A. That is right.

Q. Or an extension of the Board of Transport Commissioners?

A. That is right.

Q. But the motion was negative in the Legislative Assembly?

A. Yes, but that was not my fault. Very few of them live on the coast.

Q. But it was negatived, though?

A. Oh, yes.

Q. I understand there are certain people in Canada who want state control of everything. You are qualified to answer this question, I think. Does that theory extend to having more than one body control the rates, let us say, in this case? Would that theory go so far as to say: we want another body set up to watch the governing body?

A. There are two bodies set up, either of which is competent to do the same job for coastal steamships as they are doing for the railways.

Q. If there is such a set-up, a governing board to handle rates and affairs on the steamship lines, you would not suggest, nor is it in the theory of any particular party in Canada, that there should be another governing board set up for the same purpose?

A. I do not know if the Commissioners are interested in socialistic theory, but I am not. I am dealing with a specific question or problem which I have to submit. I submit to the Commissioners that

there are two boards set up, either of which is competent to deal with this problem.

Q. I would submit that it would be ridiculous to have two governing boards set up for the same purpose?

A. Yes.

Q. You are familiar with the Maritime Commission?

A. None too familiar.

Q. You know that it was set up in November, 1947?

A. I believe so.

Q. And you know that it has been functioning ever since?

A. I believe that is so.

Q. Would you be surprised to know that the Union Steamship Company has a rate schedule and a freight schedule and a tariff set-up which has been approved by the Maritime Commission and is controlled by the Maritime Commission?

A. Yes, I would be very surprised.

Q. And if that is the case, I presume there is not much complaint in your brief?

A. Providing that the Maritime Commission has the power to set freight rates and fares, and there is power, power of appeal by the people living in the coastal areas, to that Commission. I think such a situation would be very happy.

Q. Did you know that the Maritime Commission has power to deal with anyone regarding shipping?

A. I was given to understand last year that the Maritime Commission had no power over the setting of freight rates or fares for coastal areas.

Q. I now produce to you and to the Commission the schedule of rates. It is in booklet form, and there

is a covering letter dated March 15, 1948, from the secretary of the Canadian Maritime Commission, concerning rates over the past several years, and the letter reads as follows:

"I am directed to acknowledge your letter of March 6, in which you make application for increased freight rates, as contained in British Columbia coast freight tariff, sections 4 to 7 inclusive, proposed by the Frank Waterhouse and Company, and to inform you that the proposed rates have been approved, effective April 1st, 1948, on the subsidized services specified by contract between the Commission and your Company.

"It is requested that a complete revised copy of all freight and passenger rates charged by your Company may be forwarded to the Commission at your earliest convenience."

I want to file this covering letter in the form of five copies of it which the Commission wishes, together with the schedule which has been approved. The rate to Bella Coola is in this booklet, and I think the Commission will say that the rates we have charged are in accordance with the schedule.

MR. COVERT: That will be Exhibit 42.

COMMISSIONER INNIS: It is a letter with exhibits attached.

EXHIBIT NO. 42 -- Filed by Mr. Owen.
Letter dated March 15,
1948, from Canadian
Maritime Commission to
Union Steamships Limited,
with exhibits attached.

COMMISSIONER INNIS: Is there any control by the Maritime Commission, apart from the subsidy contract?

MR. OWEN: Oh, yes, they control all our rates.

COMMISSIONER INNIS: Whether there is a subsidy contract or not?

MR. OWEN: Oh, yes. We file all our rates and they approve them. We were asked, as the letter shows, for a complete copy of our rates and fares.

COMMISSIONER INNIS: Would they be subject, without a subsidy?

MR. OWEN: I presume that comes into it; but I do think they would be subject without a subsidy, and that the Commission has control of it. I should say it is only a subsidized service.

COMMISSIONER ANGUS: I am doubtful if the Maritime Commission has authority to rates apart from the part that they get out of a subsidy contract.

MR. OWEN: I do not know whatever purpose there would be in just submitting our rates for approval, if there was not some control being exercised. Otherwise it would be just surplusage. The rates were controlled by the Wartime Prices and Trade Board up to September 15, 1947. Then prior to the war, they were covered by the Department of Trade and Commerce. Then they were taken over by the Department of Trade and Commerce until the Maritime Commission was set up. And from then to date, I am instructed, the Maritime Commission has the sole say of our rates and fares.

THE CHAIRMAN: Are there any other questions?

THE WITNESS: I would like to say that I have

been informed, and that I have obtained legal opinion. I obtained it three times last year. And I am informed by three separate legal opinions that the Maritime Commission do not control fares or freight rates on the coast; and that the only way they control the Union Steamship Company's fares and freight rates is because of the subsidy paid to the Union Steamship Company; and that the people and the consumers on the coast have no right of appeal. They do not present any information to the Maritime Commission in order that their point of view can be presented, when the freight rates are arrived at. They merely approve the schedule of rates that the Union Steamship Company set, so that a subsidy can be paid to the Union Steamship Company through the Maritime Commission. I do want to make that submission very positive. Thank you very much.

THE CHAIRMAN: Thank you, Mr. Gargrave.

MR. COVERT: Mr. Chairman, the next submission is that of the Interior Lumber Manufacturers' Association; but before proceeding, there is one thing I would like to clear up for the record with respect to the exhibits filed by Mr. Brazier this morning. I do not think it was put in the record that P.C. 2489 would be Exhibit 39, that P.C. 1515 would be Exhibit 40, and that Exhibit 41 is the statement of the Department of Agriculture, of subsidies paid in the province, beginning in 1941.

MR. O'DONNELL: Subsidies on what?

MR. COVERT: Subsidies on feed grain.

EXHIBIT NO. 39 -- Copy of P.C. 2489.

EXHIBIT NO. 40 -- Copy of P.C. 1515.

EXHIBIT NO. 41 -- Statement of Department
of Agriculture of subsidies
paid in British Columbia
beginning in 1941 re
feed grain.

HAROLD B. COLLINS, called

MR. BRAZIER: Q. Mr. Collins, you represent
the Interior Lumber Manufacturers' Association?

A. That is right.

Q. What position do you hold with that Association?

A. I am a member of the freight rates committee,
and I am a director of the Association.

Q. You do carry on lumbering, yourself, in the
interior of British Columbia?

A. I do.

Q. And you have done so for many years?

A. That is right.

Q. And you are thoroughly familiar with the situa-
tion as far as the Interior Lumber Manufacturers'
Association, or the interior lumbering industry is
concerned?

A. I am.

Q. Then would you just read into the record your
brief, please?

A. Mr. Chairman and Commissioners, this submission
is made on behalf of the members of the Interior Lumber
Manufacturers' Association (of British Columbia) com-
prising 51 mills located in what are known officially
as the Kamloops and Nelson Forest Districts, and com-
prising that section of the Province of British Columbia
lying east of the Cascade Mountains and extending from
Hope along and south of the main line of the Canadian

Pacific and Canadian National railways to the Alberta border.

This submission is made solely for the purpose of bringing to the attention of the Commission a disparity in practice on the part of the transportation companies, for which we do not feel there is proper justification and which we feel should be rectified.

We feel that the onus of proving to your Commission the justification for the disparities referred to rests on the transportation companies.

Provincial Government Forestry Department figures report 641 sawmills and 7 shingle mills in that area in 1948, but the vast majority of these mills are small, individually owned, portable mills, with very small capacity and producing only rough green lumber or railway ties.

The operations comprising the membership of this Association are the larger mills, with extensive timber limits, logging operations and manufacturing facilities, capable of turning out dressed and dry lumber suitable for all purposes for which lumber is generally used.

The lumber cut by the members of this Association in 1948 amounted to 280,453,000 FBM out of a total cut in that year in the Kamloops and Nelson Forest Districts of 550 million FBM. I might say that this statement of fact comes from the Forestry Branch of our provincial government in British Columbia.

This lumber moved chiefly to destination in Alberta, Saskatchewan and Manitoba. Approximately 20% was shipped to Eastern Canada and to the United States, The movement was entirely by rail.

The cost of movement by rail is a very important factor in the delivered price. Typical actual shipments of lumber, dressed four sides, to Western Standards, demonstrating this fact are as follows. Do you wish me to read these tables?

Q. You do not need to. The tables will go into the record. But if you care to comment on them, you may do so now.

A. The only comment would be: that we have to watch, because, in the mountains, our rate structure is a little bit different from that of the coast. The coast is more or less favoured with one rate, or a small arbitrary over the one rate. But we, in the mountains, experience a difference in the rates going from different points of origin to destination. That would be a difference, in some cases, of 15¢ to 20¢ per hundred pounds. So we, in the interior of British Columbia, work, more or less, on what we call a zone rate, not a straight direct rate.

Miles

<u>Miles</u>	<u>Average</u> <u>Price</u> <u>FOB Mill</u>	<u>Average</u> <u>Weight</u> <u>per</u> <u>M.FBM</u>	<u>Freight</u> <u>Rate</u> <u>per 100</u> ^{##}	<u>Freight</u> <u>per M.</u> <u>FBM</u>	<u>Freight</u> <u>Percent-</u> <u>age</u>
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From Nelson:

To Lethbridge	337.7	\$46.50	2650	36¢	9.50	20.43%
Calgary	414.7	"	"	39¢	10.25	22.04%
Edmonton	606.2	"	"	47¢	12.50	26.88%

From Grand Forks

To Lethbridge	432.4	"	"	38¢	10.00	21.51%
Calgary	509.4	"	"	39¢	10.25	22.04%
Edmonton	700.9	"	"	47¢	12.50	26.88%

From Canoe

To Lethbridge	446.1	"	"	45¢	12.00	25.81%
Calgary	319.4	"	"	39¢	10.25	22.04%
Edmonton	513.5	"	"	47¢	12.50	26.88%

On rough lumber, the average shipping weight of which in fir and larch, is 3700 lbs. per 1000 FBM, the freight factor is much greater as the following figures demonstrate:

From Nelson

To Lethbridge	\$45.00	3700	36¢	13.25	29.44%
Calgary	"	"	39¢	14.50	32.22%
Edmonton	"	"	47¢	17.50	38.89%

From Grand Forks

To Lethbridge	\$45.00	3700	38¢	14.00	31.11%
Calgary	"	"	39¢	14.50	32.22%
Edmonton	"	"	47¢	17.50	38.89%

From Canoe

To Lethbridge	"	"	45¢	16.75	37.22%
Calgary	"	"	39¢	14.50	32.22%
Edmonton	"	"	47¢	17.50	38.89%

Lumber is shipped from Southern Interior British Columbia approximately 20% rough and 80% dressed.

The comparative position of Interior B.C. mills in actual markets in relation to similar lumber producing operations in Eastern Canada are illustrated in the following comparisons in freight rates:

<u>From Blind River, Ontario</u>	<u>Miles</u>	<u>Rate</u>
To Chatham	532	28
London	468	27
Woodstock	441	25
Guelph	408	25
Toronto	363	25
Peterborough	356	25
Ottawa	426	25
Montreal	546	28

<u>From Cache Bay, Ontario</u>		
To Chatham	380	25
Longon	315	25
Woodstock	304	25
Guelph	243	22
Toronto	218	21
Peterborough	203	21
Ottawa	227	22
Montreal	340	25

The attached schedule shows the comparative cost of shipment from various points of origin to various destinations on typical movements.

A movement of 280 million feet from Southern Interior B.C. sawmills to rail destinations represents in a year, on an average weight per M. FBM of approximately 2900# per M. FBM, over 400,000 tons. This information is from the Dominion

These figures demonstrate that this industry is an important buyer of rail transportation and, as such, we desire to submit to this Commission that outstanding discrepancies in rail rates for similar distances between mills in Ontario and mills in Southern Interior B.C. for an identical movement where neither truck nor steamer competition is involved, should be removed, with a view to placing Interior B.C. lumber industry on a parity with shipments of like goods for like distances under identical conditions.

We are in accord with the principle that Canadian railway lines are entitled to revenues which will enable them to earn a profit so that they may be in a position not only to show a reasonable return on capital invested, but to take care of depletion, betterment, replacements, etc., but we feel that along with that principle there should apply equal treatment for shippers in all parts of Canada where the movement of the same commodity under identical conditions is involved.

We will be glad to submit any further data which the Commission may desire in support of this submission.

Respectfully submitted,

On behalf of Interior Lumber

Manufacturers' Association.

Q. And you have attached to your brief a schedule?

A. A schedule of freight rates.

MR. COVERT: That schedule will be filed as Exhibit 43, Mr. Commissioner.

EXHIBIT NO. 43 -- Filed by Mr. Brazier.
Schedule of Freight Rates
originally attached to
Mr. Collins' brief.

MR. BRAZIER: Q. In Exhibit 43 you show rates from various points in the interior of the province to various markets, to which lumber is shipped?

A. That is right.

Q. To Calgary, Edmonton, Regina, Winnipeg, Fort William, and Toronto. I take it those are just representative points, and you ship from Crows Nest, Fernie, Cranbrook, Nelson, Castlegar, Golden, Kamloops, Oliver, and Osoyoos?

A. That is right.

Q. And those are just representative points in various parts of the interior; is that right?

A. Let me explain why these points were taken. There are two associations in the interior. One is known as the Northern Association, and the other is the Interior, or rather is known as the Southern Association. We hold no brief for the other one. We are presenting a brief only for our own association in the southern part of British Columbia. Our territory runs along through the Cascades down to Nelson, and our outlet is at the Crows Nest Pass, transferring there to Calgary and then eastward to Medicine Hat.

Then there is another section of the country where the railways go up and take movements of freight which goes up by Sicamous and down the other way.

Q. You show certain rates on your table. Are those rates the average rates per thousand board feet?

A. That is right. They are recognized by the British Columbia Lumber Manufacturers' Association.

Q. But the actual weight of your lumber may vary?

A. It does vary. Lumber varies very easily,

because we, in the interior, are not like the coast. Our logs in the interior are small logs; but at the coast there are big logs. Where you have softwood the tendency is for the logs to be smaller, and softwood varies in weight; whereas, at the coast, they have more hardwood.

Q. You mention two places in Ontario, Blind River, and Cache Bay. Are they only lumbering shipping points?

A. They are, sir.

Q. Do you know if shipments are made by rail from those points?

A. Yes.

CROSS-EXAMINATION BY MR. EVANS

Q. You speak of a zone rate. Perhaps you would tell me what that is? How does it operate? Give me an example?

A. Well, under the timber control, we have different rates, as you will see by looking at the schedule.

Q. I am sorry to say it, but I have not had time to read the schedule.

A. The rates vary from the Crows Nest going into Calgary, from 27¢ from the Crows Nest, to 47¢ from Osoyoos. There is a 27¢ spread from the Crows Nest, and it shows different rates. Those are present rates, the freight with the 21% increase therein.

Q. Isn't that what you mean by "zone"?

A. No. In order that we have the same line of demarcation, the timber control is set for all lumber moving by the Crows Nest Pass, with rates from Castlegar to destination; and anybody having an over-freight rate, would have to absorb the freight rate.

Q. You mean, zone prices for your product?

A. Yes, and we had to use a zone rate. Whatever be the Castlegar rate from Calgary to Winnipeg, we had to absorb anything over and above that; and if there were any mills with a smaller freight rate, then, they got the advantage of it.

Q. The timber control would take into account all factors, and probably arrive at a price which would enable the average producer to absorb it?

A. There are so many different rates; and if we were to take all the shipping points from the interior to Calgary, you would have a spread on delivery prices as long as your arm. So they probably do that more as a technical basis.

Q. Would you turn to your table on page 2. I assume you are aware of the fact that the rates shown on this table will be reduced, starting, I suppose, to-morrow?

A. I am a little bit hazy about that. These rates shown here will have a new effect to-morrow? These are commodity rates and not class mileage rates.

MR. BRAZIER: The Board of Transport Commissioners, I think, has extended, until August 1st, the changes on lumber rates.

MR. EVANS: Q. These rates, when the process of tariff making has been completed -- and I understand that August 1st is the date that lumber will be reduced -- I suggest that the rate from Nelson to Lethbridge will become 29 instead of 36. That will produce a figure per thousand board measure?

A. That will be 29¢.

Q. And that will be .7.70, and your freight rate

will go down to 16.5?

A. That would be correct.

Q. And the rate from Calgary to Nelson, instead of being 39¢, would be 33¢; and the rate, per thousand feet, \$8.75, and 18.18%, and so on down the line. There are changes in these rates.

A. You have not got the Edmonton rate.

Q. Yes; 44 instead of 47. You have got 47%, but I think you meant cents; and the figure on the Calgary rate is 11.65 per 1000, or 21.4%?

A. When we figured our freight rates, we came to the closest 25¢ because, with all lumber shipping concerns, if a freight be \$9.12, we would say \$9; but if it were \$9.13, or \$9.15, we would say: \$9.25. So you might find a little discrepancy there.

Q. I would just indicate that these figures would be affected by a reduction in the rates?

A. That is true.

Q. With regard to the 46 price; what year was that priced?

A. 1948.

Q. Is that the average for all Canada?

A. No, just the southern interior.

Q. Is that the price to the producer of the lumber?

A. No. That is the selling price to the retail lumber dealer. That is a compound average. Some mills are a little bit more, and some are a little bit less.

Q. The timber control ceiling, isn't that it?

A. No. The timber control ceiling prices would not give this average. The timber control ceiling would not give the mills much more than \$39 or \$40.

Q. I suppose, prior to the war, the average price was much lower than that?

A. It should be. Prior to the war we had no unions to contend with, and we worked a 60-hour week; whereas, today, we are all certified with the unions, and we work a 44-hour week. We get holiday pay, and a lot of other considerations. We are allowed to work 180 days out of 365 days a year.

Q. Your wages have been a big problem?

A. That is right.

Q. I think you and I have something in common there?

A. Yes.

MR. O'DONNELL: Not you, Mr. Evans; the railway operators.

MR. EVANS: Yes.

Q. Then, I suppose you presented this problem to the Board of Transport Commissioners when your prices were lower?

A. I do not know if there has ever been a brief presented to the Board of Transport Commissioners before.

Q. But would you not have thought, when prices were down, and the wages were a larger percentage of value?

A. I think we must go back into history to explain that. In 1921 there were 81 mills in or around Nelson. But that dwindled down, I think, to a minimum of three, to start with, in 1930. The industry went backward. Then it started to come up, but there was not sufficient interest among those operators who started in, towards 1928 and 1929 and into the thirties. It was a poorly organized affair; there was an association, of a kind. they had an office in Calgary, but it was rather out of the way from where the producing areas were. So I

think that will answer your question. There was no association and nobody sufficiently interested in these things; and we had to cut prices; and there was no submission made.

(Page 3204 follows)

Vancouver, B. C.

June 30, 1949

AFTERNOON SESSION

HAROLD B. COLLINS, Recalled

BY MR. EVANS:

Q. Mr. Collins, as we adjourned I was going to ask you a question or two about the comparison in the table on page 3. Before I do so, I gather that of your total product approximately 20 per cent moves to eastern Canada and the United States?

A That is right, sir.

Q And of that 20 per cent roughly what proportion would go to eastern Canada and what proportion would go to the States, just roughly?

A That varies according to different mills and the species in which they are able to produce. That is pretty hard to tell. At the present time under the Dominion Government timber control we are prohibited from shipping anything in the species of pine above the grade of No. 2 common across the line with the result that those who produce that ponderosa pine have to find practically their whole market in Canada because the lower grades of that species are dropping in price, have been dropping in price on the other side and this side of the line for some considerable months.

Q You would not care to venture an opinion as to how much of that goes to the United States?

A No, because that condition enters a lot into the average of the different mills.

Q I can understand how they might differ. I was hoping I might get some idea of the over-all situation.

A While we are on that same point, our prices on pine and spruce lumber are more or less governed by the mills in the Southern Pine Association of the United States. Our present freight rate shipping practically from all points in the interior to New York is \$1.16. From the southern pine area into New York it is 72 cents, so the difference there is 44 cents per 100 pounds. It is pretty hard for any mill to absorb that.

Q Would there be as much going to the United States as to eastern Canada?

A Some mills would probably ship more to the United States. It all goes to the species.

Q What we are talking about when we are talking about eastern Canada is something less than 20 per cent. How much less you would not care to say?

A No, because some mills would practically take their whole 20 per cent or more and other mills less.

Q Examining that little table on rates on page 3 -- do you have that before you?

A Yes.

Q While I am not making any particular point of it I suggest your mileages and rates are rates from North Bay and not Cache Bay? They are C.N. mileages from North Bay?

A That information was taken - I don't mind telling you - from a submission to the Sloan Commission and I didn't check the rates. I had the privilege of checking.

Q Nothing really turns on it but I think you will find that is true. The rates shown here are what are

commonly called the constructive mileage scale in the east?

A I wouldn't like to venture on your eastern tariffs because I didn't familiarize myself any too well with the eastern shipments. It is only our western shipments I am concerned with and the going freight rate, and what we lay down our material for.

Q I suggest to you that the constructive mileage scale is also lower than the eastern mileage scale shown for lumber, and that the constructive mileage scale in the east is higher, up to 55 miles, than the prairie scale which you get after August 1, and is one-half cent lower from 55 to 170 miles, and up to 3 cents lower up to 300 miles, so it is not for all mileages a better scale than the prairie scale. I suggest to you that it varies as the mileages vary?

A Of course, in making my submission you see we had to take into recognition the present rates at this time because we have no privilege of knowing just what these changes will be, and we are basing our submission on just exactly what we are working with.

Q Your present rates.

A So the interjection of these new rates that will come out puts a different complexion on the whole situation.

Q I am not quarrelling with you. I am really trying to inform both you and the Commission at the same time so we will have the record clear. So that the complaint on page 3 roughly amounts to this, that the eastern mills to eastern markets get a somewhat lower scale?

A Preferential treatment.

Q And that preferential treatment, as we have now agreed, will be very greatly lessened after August 1 when

the new rates go into effect?

A All we are looking for, sir, is a revamp of this freight structure so that we get the same treatment as the other fellow. We are not asking for any preference at all. To illustrate a little further on that, the coast people here, and also the shippers in Ontario, have a stop-off privilege, and we have none in the interior of British Columbia.

Q A stop-off for milling?

A Stop-off for inclusion.

Q Pick up a carload?

A Yes, we do not enjoy that privilege.

Q Is that all important to you?

A It is.

Q That is to say, you have a number of places that would not ship a full carload?

A We could make up, and we could probably enhance the sale of our wares if we had a stop-off privilege.

Q What do you do now, collect it by truck?

A No, in most cases we have to forego the business.

Q You forego business because you cannot get a carload?

A In lots of cases.

Q You are thinking of an order from several consignees?

A No, I am figuring on an order for different species. One mill produces a predominance of one and another does not.

Q Then what you want is the right to have a car stop at one mill and pick up so much of a certain particular

kind of lumber and then go to another point where another part of the cargo would be made up, and perhaps to a third point?

A Just like the coast. They have a \$6.30 stop-off charge. I don't know what their stop-off charge is in the east but I think it is lower again than that.

MR. EVANS: Thank you, Mr. Collins.

COMMISSIONER ANGUS: Any other questions?

CROSS-EXAMINATION by MR. O'DONNELL

Q I think I only have one question, Mr. Collins. Were you here when Mr. Bolton and Mr. Alton were giving their statements?

A I was here part of the time when Mr. Alton did, but not Mr. Bolton.

Q Did you hear Mr. Alton express his views on the proposal which is contained in some briefs that before any commodity rate or competitive rate can be changed or altered the matter should be taken up with the Board of Transport Commissioners?

A I don't remember the question, sir.

Q In your view would the delay which that would necessitate not be adverse to the interests of the shippers, in so far as the delay is concerned?

A I think that can be explained this way, that the hoist of the present freight rates that was to come into effect July 1, but will not come into effect until August 1, will result in stockpiling a lot of lumber, and there will be very little shipments because I think we will get very few orders during the month of July.

Q In your business it is necessary to be able to get a decision concerning a rate in a hurry?

A Quite right.

Q And anything which would delay your being able to deal with the railways in an expeditious business-like way would not be in the interests of shippers generally?

A I would say you are correct.

Q That is all I wanted to ask you, Mr. Collins. I might make this observation. I understand the rates set out on page 3 of Mr. Collins' brief, these eastern rates, are influenced by water competition. I think that can easily be verified.

A Maybe as to some points. You could not get into London by water - Guelph, Woodstock.

Q Some of them you cannot but I think water competition influences those rates. In any event, I am not going to go any further. I am just indicating that to the Commissioners and they can verify it themselves. Thank you very much.

MR. BRAZIER: Excuse me; I wish to ask Mr. Collins one other question.

RE-EXAMINATION BY MR. BRAZIER

Q On page 2 you give the average price f.o.b. mill. You told us that was the 1948 average price?

A That is right.

Q Would you care to express any opinion as to whether the average price today would be equal to that or higher or lower?

A The average price today at the present time, taking

our business since the first of the year and up to the present time, is several dollars below that average.

EXAMINATION BY MR. COVERT

Q Mr. Collins, I take it the main point of your brief is that different rates do apply in Ontario on what you say is similar lumber, and you say there is no competition to justify the rates being lower?

A That is right.

Q Now, you would probably go this far, that if there was competition the railways should have the right to make a lower rate to meet it?

A No, I take exception to that. We went through that same thing here in the early period of the thirties. In order for both the two major railways to meet water competition we had a depressed rate that they put into effect from Vancouver to Montreal of 60 cents a hundred while our rates from the interior of British Columbia were the same rates, and we had no relief whatever. In other words, we were shipping into Toronto from Nelson on an 81 cent rate and from Kamloops on 85, and into Montreal we were shipping in on an 88 cent rate. That depressed rate of 60 cents put us out of the running, 28 cents per 100 pounds. In other words, we had to just sit by and watch this movement of stuff go right through our interior districts, and we had no relief whatsoever from that. That is one condition -- I am glad you brought that point up -- that we want rectified, that when any special rates are given to meet water competition, such as happened in the thirties, that we will have the same relief for our mills in the interior

of British Columbia.

Q In other words, if competition forces down rates in another area dealing in a basic commodity --

A And stagnating our industry in our area. In other words, lots of men were put out of work because the regular run of movement that we had at the time to compete with -- we were absolutely out of the market because we could not absorb these differences as high as 28 cents.

Q What I wanted to get at was the principle. I understand you suggest there should be some principle like this, that where there are certain areas shipping basic commodities, and certain markets, that if there is competition in one of those areas that forces railway rates down enabling them to find a market in competition with you in British Columbia where there is no competition forcing rates down, before that competitive rate could be put into effect, we will say in Ontario, where there was competition, you suggest that, as that disturbs your market ---

A It does, sir.

Q And as it does, that something should be done about it. Would you suggest by way of subsidy?

A I think we ought to be consulted and have a chance to have the same equal treatment. In the whole of our brief it is very simple; we have not gone into a lot of phraseology or anything else. All we are absolutely looking for is parity with any person else, the same equal conditions.

Q It seems to me you must recognize that competition may disturb that?

A We do, sir.

Q Then you suggest in a case like that all areas where they are carrying on a similar business should be consulted before that competitive rate is permitted?

A That is correct.

Q You are not just complaining because there is disparity. You are complaining because that disparity does affect your competitive position?

A It does so with rates right in our own province shipping from our southern interior. I can show several examples where we have a freight rate up to 6 cents higher on a lesser mileage than those who have a greater mileage.

Q Now, Mr. Collins, can you conveniently furnish to the Commission at a later date your production for the last twenty-five years, let us say? Would that be a big task?

A Well, I just cannot answer that question right offhand. The only way I see that information can be had would be to refer to the provincial forestry branch.

Q Would that show this area you --

A That would show the scale of the different species, all logs that were produced during those periods.

Q Would it show --

A I am advised we can obtain it for you, sir.

Q And we would like a breakdown of your markets for the same period.

A I don't know if it can be complete for twenty-five years, but I think we have dug up some information in the last four or five years in which we have had to deal with labour, and there are some who have been quite statistical in keeping a record book of their shipments and stuff. I think we could give it to you for quite a few years but I

wouldn't like to state we could give you prices ranging back twenty-five years.

Q Well, for a comparatively lengthy period, certainly before the war.

A Yes, we can give you information prior to the war.

Q And the value or prices during those years. I do not want to ask you for anything that is too difficult, but this is what we have in mind, a breakdown of your markets for the same period, the value of the production, your prices per thousand, and the freight rates for the same period. You could do that?

A I think so.

Q Perhaps if you will give it to Mr. Brazier he can file it with the Commission. Thank you very much.

MR. EVANS: I should like to ask one more question arising out of that.

RE-CROSS-EXAMINATION BY MR. EVANS.

Q You spoke to Mr. Covert about the position you were in when the coast shippers of lumber had the benefit of a competitive rate to the east. What position would you be in if, instead of the railways giving the coast lumber producers a competitive rate to meet the Panama Canal rate, they just did not do it and the shipment went via the Panama Canal? You would still be at a disadvantage?

A We are at a disadvantage geographically because prior to the war there were some mills in the interior, especially those on the main line of the Canadian Pacific Railway starting at Kamloops, that had a rate into Vancouver. I think one rate was, quoting from memory, 50,000 pounds 16 cents, and 80,000 pounds 12 cents.

Q You had to get your stuff to Vancouver to get it on the boat?

A Yes.

Q You have always had that disadvantage?

A Yes.

Q So what I am suggesting to you is that the fact that the railway might meet the Panama Canal rate would not of itself produce any disadvantage to you?

A Only that people would not buy our wares because of the depressed rate.

Q It was not the railway rate; it is really the shipping rate from Vancouver?

A There were lots of abuses in that rate. I know the facts. In fact, I was one who inquired, along with others, if there was anything against taking that rate into Montreal, and picking up our freight charges and paying them in Montreal, and re-consigning the car back to Ottawa. That was done in cases, and I happen to be a guilty culprit of doing it myself.

Q I am shocked at you.

A There were other cases where that rate came into Montreal, and the local rate from Montreal back to different points like Peterborough and Kingston. Advantage was taken of it there by those who kept their eyes on these freight rates.

COMMISSIONER ANGUS: Any other questions? Thank you very much.

MR. COVERT: The next submission is that of the City of Vancouver. His Worship, the Mayor.

MAYOR CHARLES E. THOMPSON, Called

THE WITNESS: Mr. Chairman, before reading this brief I might explain that it has been before council, and there is a resolution of council covering it, in case you require verification. In other words, it is not just my own suggestions or my own brief. It is a brief presented by the City of Vancouver to the Royal Commission on Transportation.

BRIEF PRESENTED BY CITY OF VANCOUVER TO ROYAL
COMMISSION ON TRANSPORTATION.

The citizens of Vancouver are prompted to submit their views on transportation costs because of its influence on the cost of living.

REFERENCES:

In order to present our case we will refer you to Book II of the Rowell-Sirois Royal Commission, page 169, dealing with the freight rates structure. We quote Order in Council P.C. 886 of 1925 as follows:

"The Committee are of the opinion that the policy of equalization of freight rates should be recognized to the fullest possible extent as being the only means of dealing equitably with all parts of Canada and as being the method best calculated to facilitate the interchange of commodities between the various portions of the Dominion, as well as the encouragement of industry and agriculture and the development of export trade."

Next we would refer you to a paragraph in the same report on page 197, which we studied, and we quote:

"A set of diagrams prepared for the Commission to show mileage rates for various distances in all

classes for the whole Dominion covering a long term of years, indicated in every case a drawing together of the regional rates in contrast with the wide spread of former years. The relation between the standard rates, first class, 400 miles distance, at present is: Central (Ontario and Quebec) basic; Maritimes 20 per cent under; Prairies 26 per cent above; British Columbia 46 per cent above. For fifth class freight: Central basic; Maritimes 20 per cent under; Prairies 14 per cent above; British Columbia 32 per cent above. There are variations but they lie in the shelter of Board findings rendered in the light of rate-governing conditions."

The governing factors of freight rates are competition apparently by other forms of transportation such as water and truck haulage, which is particularly acute in Central Canada and the clamor on the other hand by the outlying provinces for legislation to govern rates comparable to those enjoyed where competition is the keenest. The railways are on the horns of a dilemma and the best that any commission has been able to do has been far short of public demands for redress. It is a fact that western Canada has no communicating national highway and, consequently, we lack alternative methods of handling our freight and transportation and it will be some time before either a road is built or there is agreement as to the control over the operating rates and maintenance of such road.

Again I quote from the same authority, page 201, the statement of the Honorable C.D. Howe, Minister of

Transport, when introducing a bill:

"The bill differs from that of last year in that any attempt to include control of traffic on the highways has been deleted. The difficulty in that connection, of course, is that the government has jurisdiction only at certain points. Our legal officers advise me that we have jurisdiction over trucks passing from one province to another, or crossing the international boundary, or in certain of the Dominion Government parks. It was felt on reconsidering the matter that such jurisdiction as we have is too limited to be particularly effective under the conditions which prevail in Canada, and in view of the strenuous opposition of the provinces we have decided to delete that feature from the bill this year."

It is not even sure whose responsibility the Trans-Canada highway should be. We quote again, same authority, page 201, as follows:

"Thus, Hon. Mr. Meighen, while the proposed Transport Act was being considered by the Senate Standing Committee, February 10, 1937, said: 'It would not be unreasonable to declare that the Trans-Canada highway was a work for the general advantage of Canada'."

In the meantime no matter how many attempts have been made to alleviate the strain, long haulage costs a great deal of money. We are prepared to admit frankly that railways have an important part to play in our national economy and must have the revenues to maintain them. Second, we believe, that because of the tariff wall and the

restriction on north-south traffic, has presented acute transportation problems. We believe that the long western hauls, particularly through northern Ontario, will always be a transportation burden.

RECOMMENDATIONS:

We believe

First, the freight structure as constituted in Canada is not a soluble problem. I use that advisedly. In other words, all of Canada will never be satisfied with it.

Second, railways are necessary and they must be adequately maintained.

Third, we believe their position is to draw together and equalize the opportunities of the country they serve. They are like the elevators in a department store.

Fourth, we believe that western Canada is entitled to alternate methods of transportation. A Trans-Canada highway is a necessity.

We urge a complete equalization of freight on manufactured products. We believe national prices on manufactured goods which is now in practice on a limited number of products should be made obligatory if Canadians are to receive equal opportunity and treatment.

We are fully aware that we are speaking for the largest group of consumers situated the longest distance from the centrally industrialized section of Canada. We are affected most by freight rates but as Canadians we feel much can be done to alleviate the injustice and create a greater spirit of unity in Canada."

CROSS-EXAMINATION BY MR. EVANS:

Q Mr. Mayor, I will try not to keep you too long. On page 1 you refer to some standard rates, and there are one or two things I thought we might get together on. One is that I assume you know that a relatively small proportion of traffic moves on those standard rates?

A Yes, I am aware of that.

Q I think you also perhaps recall that in the 21 per cent case there were a lot of rate comparisons made, and those comparisons showed that a great many rates in the west were actually lower than they are in the east. Do you recall that?

A No, I do not. In reading the Rowell-Sirois report I picked this out, and it seemed to me to have application to get the general thought of standard prices. I am not here to argue the rights and wrongs of the freight rate structure. I have not gone into that.

Q I am not expecting you to. I thought you and I could have a little general discussion of an informative character. You can perhaps inform me and I can perhaps inform you. Turning to page 2 and your discussion of a highway, I gather that British Columbia's principal concern is with long hauls?

Yes.

Q I suggest to you that a national highway would not provide relief because I suggest to you that trucks could not haul traffic across Canada and do it economically?

A I think I would have to dispute a little on that because there are certain things that they would haul.

Q I quite agree there are some things.

A Take things that would come, if the water rate was favourable, to the head of the lakes, and you had a market all west of that. You can haul by truck and haul economically.

Page 3220 follows

Q. Well, I suggest to you that, by and large, if you had to depend on truck haul to British Columbia, the rates would be worse than those of the railway?

A. That is a case for debate.

Q. It is true that British Columbia has benefited by water competitive rates?

A. It did, in the past, to some extent, before the war.

Q. So your brief could be qualified: that there has been an alternative method of transportation available to British Columbia in the past, and that it has had an ~~an~~ effect, at the present time, on your long-haul rates?

A. That was very limited, however, because you had to go through the Panama, and they did not get very much effect, with respect to eastern Canada.

Q. You do not think that the rates put in by the railways to meet that competition were of any substantial benefit?

A. Not of any particular benefit.

Q. I wonder if Mr. Brazier would agree with you on that?

A. I do not know.

Q. I am not quite sure when you say you do not have complete equalization of freights on manufactured goods. You mean, compared with east and west?

A. We would nationalize the price of the product, and the freight would be included in the product price.

Q. But that would not involve the railways at all?

A. No. We are interested here, as a city, in the cost of living; and we think that equalized freight, in the cost of the product -- that thereby, we would have

an over-all general advantage, because we are the longest distance away from the industrialized section.

Q. Yes?

A. And, as there is a line on the south -- we are not disputing that line, but it is there -- and we say, because we are north of that line, and because we cannot trade up and down the coast, we should have equal opportunities in Canada itself.

Q. You will find, probably, a lot of other people closer to the source of supply, who would object to paying part of the freight rate?

A. That is why we want to get our word in while you are out here.

Q. Surely!

MR. O'DONNELL: Q. I have no questions; but in Exhibit 36, at page DD 33 will be found a very interesting tabulation as to the "Comparative food indexes, British Columbia, being compared with Canada, from 1939 to the end of 1948; and there are other similar tabulations there which indicate the cost of living in Vancouver. I think it is not unfavourable, in the circumstances.

A. Of course, there is a statement there, from this same Rowell-Sirois report on that matter, which, I think, is limiting too; but I did not interject it into this brief.

EXAMINATION BY MR. COVERT

Q. Your worship, in that part of the brief -- I think it is at page 3 where you state:

"First, the freight structure as constituted in Canada is not a soluble problem."

I wonder if you meant by that: as it presently exists, or, are you talking about something more than the freight structure there?

A. That might be considered as an abstract statement; but what I really meant there is, that it will never be satisfactory to all parts of Canada at the same time because there are such disparaging differences everywhere in Canada that you cannot get it worked out so that everybody would say that he was happy about it.

Q. Do you suggest that the tariff wall has something to do with it?

A. You must say this: that the tariff wall is one of the things which make it so that you have to haul everything east and west, rather than north and south. I am thinking of that long haul in Northern Ontario, which will always be a long and unprofitable haul, reflecting itself in the cost of manufactured goods.

Q. Now, at page 3, in the paragraph before the last, you say:

"We urge a complete equalization of freight on manufactured products."

I wondered if there was any particular reason why you confine it to manufactured products?

A. We have this idea: that, in the case of raw materials -- and I would quote you just a line which shows the effect of that, from the same Rowell-Sirois report, which says:

"We have built up, over the years, a rate structure which, we believe, is absolutely essential to the well-being of Canada. The basis of that rate structure is, that low priced commodities shall

be carried at low rates, and natural products shall be carried a great distance to our shippers at export rates which are undoubtedly the lowest in the country."

In other words, the basic things -- there is special consideration given to them. I am thinking of the manufactured products, the motor car, as an example, where, to have it a profitable operation, you have to have it assembled in one point.

Now, the motor companies themselves will give you -- and they do now -- a national price on their replacement parts. But, due to competition in the central part of the country, they have got away from that practice in the car itself; and they sell the car on the basis of their price at the point of manufacture.

Q. You refer to what is commonly called the postage stamp rate, I think?

A. In other words, yes. We are saying, I think, that the average John Doe in Vancouver says: Here, if we are going to help build the St. Lawrence waterway, which we will be doing in our taxation, then we should enjoy the general principles of an even freight distribution ourselves, in the products that we purchase.

Q. I assume you have considered, perhaps, some of the difficulties of putting in a postage stamp form of freight rates?

A. One business man did tell me that it would take fifty years to do it. I do not know if that is true, or not; but I cannot conceive of it being that difficult, because there are many products today which are nationalized in their prices.

Q. Usually they are smaller products, like cigarettes and tooth paste?

A. That is right.

MR. EVANS: And Moir's candy?

MR. COVERT: And Moir's candy?

THE WITNESS: Yes.

MR. COVERT: Q. It would seem to me that that would, perhaps, involve some method of price control rather than of freight control?

A. I do not think that price control would enter into it at all; just the same as the case we quoted, of the parts for a car. Price control does not enter into it; it is because they absorb the freight in the delivered price of the product.

Q. But you might meet a situation like this; let us say, one car manufacturer says; Surely, I will go for that. And he fixes prices for his product all across Canada. And another car manufacturer does not. Certainly, the one who does not will get all the business around that territory, won't he?

A. If you are making the same product; but it may be that your illustration is not correct, because the manufacturer does make practically all the parts for his particular product.

Q. I can see that; but, in the price of the car, if it is an article of great size, or of large price, wherein the freight rate is a large amount; when it has to come from, let us say, Ontario to Vancouver, you might have some difficulty?

A. You mean, in getting it equalized?

Q. Yes?

A. Well, we worked that out, and we found that it

would take about \$60 per car, a car that sells in Vancouver, on which the freight alone is some \$200-odd.

Q. I think I have seen where there was a brief submitted to the Commission in one of the other provinces. It was in Regina?

MR. O'DONNELL: Yes, Mr. John Pinch, of the Saskatchewan Motor Dealers' Association.

MR. COVERT: Q. You would have to have an agreement with all car manufacturers, would you not?

A. It would be a case of some major manufacturer starting out. Then I think the others would follow.

Q. What about the American cars selling into Ontario?

A. They would have to have a national price, wherever they sold. In other words, we would buy a car at the same price.

THE CHAIRMAN: Are there any other questions? If not, then I thank you very much, Mayor Thompson.

MR. COVERT: Mr. Chairman, there is a brief from the Quesnel Board of Trade. It is No. 11 on the agenda; but I do not think there is anyone here to present it.

MR. O'DONNELL: Do you want me to read it?

MR. COVERT: My suggestion is that it simply be taken as read into the record rather than merely filed.

MR. EVANS: I have no examination.

MR. O'DONNELL: We will have to cross-examine the record.

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Brief submitted by the Quesnel Board of Trade to the Royal Commission on Transportation.

To the Chairman and Members: It is our desire to

acquaint you in regards to a situation that exists in our district of Quesnel, Province of British Columbia.

At the moment our town is the terminus of the Pacific Great Eastern Railway, owned and operated by the Government of our Province. Our area contains one of the largest stands of good commercial fir timber that remains in the province and we have operating at the moment at least 72 mills cutting this timber.

Despite careful conservation in the field of costs our mills are operating at a disadvantage in getting the cut of these mills to market.

Briefly the picture at the present time the mills are operating on a fifty-fifty export quota -- in other words we are forced to ship 50% to the Canadian market whether we can compete or not. The following figures will give you an inkling of our problem -- at the present time there is an arbitrary rate of $15\frac{1}{2}\phi$ per 100 lbs. on lumber shipped to the eastern States and 19ϕ per 100 lbs. to Eastern Canada.

Mills on Vancouver Island, B.C. ship on the Vancouver, B.C. rate, which puts them on the same competitive basis, while our costs are from 4.00 to 6.25 per M higher.

Our commodity rate on lumber to Vancouver, B.C., from Quesnel, B.C., is 47ϕ per 100 lbs. or 11.75 per M on dressed lumber and 15.50 per M on rough lumber. This rate precludes the possibility of reaching the Vancouver market on a competitive basis. If this rate was considerably lowered it would through access open the market to our mills in Vancouver, B.C.

At the present time we cannot compete with mills on the main lines of the C.P.R. and the C.N.R. due to the existing freight rates -- we do not have access, on a competitive basis to the northern line of the C.N.R. -- Jasper to Prince Rupert. To tap this line for shipments to the prairies and eastern Canada it is necessary to ship by truck to Prince George a matter of 84 miles at 13.50 per M. This cost is prohibitive and will not put the mills in a competitive position to reach this market.

The economy of our district is such that our mills are a big factor in our prosperity and we are anxious to see that there is a continuity and stability in our payrolls and we respectfully ask consideration of our problem by the Royal Commission on Transportation and would suggest that you give consideration in respect to general freight revisions, competitive rates, international rates and export quotas.

QUESNEL BOARD OF TRADE,
COUNTY OF CARIBOO,
PROVINCE OF British columbia.
"Harold Box"
Secretary-Treasurer.

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MR. COVERT: Mr. Chairman, the next submission is that of the Mining Association of British Columbia.

CHARLES H. MITCHELL, called

MR. BRAZIER: Q. Mr. Mitchell, you are secretary of the Mining Association of British Columbia?

A. That is correct.

Q. And I understand you have held that position for a relatively short time?

A. That is correct.

Q. And in presenting this brief to the Commission, you do not hold yourself out to be a rate expert?

A. Definitely not!

Q. And any information in the brief in regard to rates has been given to you by other people?

A. It has been supplied to the Association.

Q. Will you read the brief into the record, please?

A. Mr. Chairman and Commissioners: There are at present more than fifty producing base metal mines in British Columbia shipping ores and concentrates by rail to a smelter at Tadanac (Trail), B.C., and/or to smelters located in the States of Washington and Idaho. The rates on these shipments are levied on the values of the metal content of the ores and concentrates. The values are determined by the smelter assay returns and such values are assessed on the basis of the metal prices prevailing at the time of sampling at the smelters. The freight rates per ton on ores and concentrates are graduated from \$5.00 and less to \$100. and over per ton, by steps of \$5.00 and \$10.00, and are based on the assay values.

Thus the railways by their tariffs have and do participate with the mines in the relatively high metal markets of the last three years. When metal prices were decontrolled by the Wartime Prices and Trade Board and the U. S. office of Price Administration in 1946, metal prices soared and in some instances prices doubled those prevailing under wartime controls. It has only been within the last few months that prices have shown some declines.

declines.

The following example will serve to illustrate the trend:

(Cents per pound)

	<u>Copper</u>	<u>Lead</u>	<u>Zinc</u>
Year's average, 1948	13.82	8.109	8.726
Post-war high, 1948-49	23.5	18.5	17.5
Prices at June 13, 1949	17.00	12.00	9.75

In order to give a picture of the sizeable volume of the movement of ores and concentrates from mines in British Columbia, a comparison of two periods of two years each is set forth hereunder:

<u>Period</u>	<u>Tonnage</u>	<u>Value</u>
1945 & 1946 *	1,167,032	\$73,255,691
1947 & 1948	1,188,356	\$182,386,359

These freight charges, it should be pointed out, are on the raw material only and are not passed along to an ultimate buyer but must be absorbed by the mines. This is in contrast to freight charges on a manufactured product, which in most cases are passed on to the ultimate consumer.

It would be an interesting revelation to know exactly the average freight rate per ton and the revenue collected for the two periods named above. Statistics would no doubt show that the railways collected a greater revenue from the mining industry of this province through employment of this peculiar escalator system than from any other industry in Canada. This would be the case first, because of the inflation of metal prices, and second, because on April 8th, 1948 the 21% increase was added to the denominator rate. In other words, a double toll has been and is levied. Freight charges on these items in 1948 exceeded \$2,415,000.

Originally this tariff pricing method may have had merit and undoubtedly it was copied from railroads in the United States. Since 1945 mines in the western United States have likewise been paying these singular increases due to the inflated metal prices. One example of the effect of this rate system shows that the average increase in freight rates for a total of 42 shipments brought about solely as a result of increased metal prices from 1945 to October 13, 1947, amounted to 40 per cent. The range of these increases was from a low of 6 per cent to a high of 81 per cent. In other words, if the actual 1945 shipments listed had moved on October 13, 1947, the graded actual valuation freight rates would have involved freight cost increases ranging from 6 per cent to 81 per cent, yet the assay and the character of the commodity had not changed one iota. This is a transportation penalty borne by no other basic commodity.

The effect of the added 21 per cent increase on ores and concentrate shipments is equally important. It is necessary to note that, when increased metal prices move any given grade of shipment by assay from a lower bracket in the graded actual valuation rate structure, the percentage increase (imposed under the Board Order of March 30, 1948, No. 70425) is based on the higher rated value. Thus the increases effected are pyramided solely as a result of increase in metal prices. For example, an ore or concentrate of a given assay moved in 1945 at a base rate of \$4.00 per ton, yet that same grade of ore moved in 1949 at a base rate of \$6.00 per ton.

The 21 per cent increase applies on the \$6.00 rate instead of on the \$4.00 rate, making a difference in such case of 40¢ per ton; in other words, simply because metal prices advanced, the shipper had to pay an additional 40¢ a ton as a result of the application of the percentage increase on the higher base rate.

It should be noted that the corresponding 20 per cent increase allowed in the United States by the Interstate Commerce Commission (Ex Parte 162) carried a clause setting the maximum at 30¢ a ton. Therefore any rate over \$1.45 per ton was only increased by 30¢ a ton. No such ceiling was set by the Canadian Board of Transport Commissioners with the result that all rates have been subjected to a straight 21% increase.

Some five hundred and seventy rates out of six hundred affecting base metal in one C.P.R. tariff were over \$1.45 per ton. The increases in many cases were more than \$2.00 a ton.

The mines of the Province of British Columbia appear to be paying a greater share of transportation charges than is just and reasonable, compared to what other shippers are paying. For example, automobiles and numerous other items on which the prices have spiralled during and since the war, have not been subjected to parallel freight increases.

It is contended that the 21% increase should never have been applied to freight rates on shipments of ores and concentrates. Further it is contended that the structure of the freight tariffs in question should be considerably modified by stipulating agreed prices for the assessment of freight charges on a more equitable basis than presently obtains.

Again, it is of paramount importance to the mining industry, to the railways, and to the Canadian economy that freight rates should encourage rather than discourage the development of mineral resources.

The brevity of this submission has been deliberate. Our objective has been to point out to this Commission an obvious injustice resulting from an inequitable rate structure.

A comprehensive submission with detailed recommendations for desired alterations in present freight tariffs can at a later date be placed before the railways and the Board of Transport Commissioners, if such action is considered desirable.

May we request that this Commission take favourable cognizance of the issues herein set forth?

Respectfully submitted.

Q. I understand you succeeded Mr. E. B. Ablett as secretary of the Association, but that he assisted you in the preparation of this brief?

A. That is right.

Q. How long ago was that?

A. Last January.

Q. I suppose then that any questions which counsel wish to ask may be answered by Mr. Ablett?

A. Yes.

MR. O'DONNELL: We might ask them of Mr. Ablett directly.

CROSS-EXAMINATION BY MR. O'DONNELL

Q. Mr. Mitchell, I understand you took over from Mr. Ablett in January?

A. That is right.

Q. So it might be well to address questions concerning the earlier experience of the industry to Mr. Ablett?

A. Regarding freight tariffs, and so on, yes.

MR. O'DONNELL: I take it, Mr. Ablett, that the arrangement which is set out in the Association's brief concerning freight tariffs was one which was arrived at, so many years ago, by an arrangement between the mining industry and the railways, as a result of discussions and negotiations?

MR. E. B. ABLETT: That is, possibly, true. Possibly in the early part of the century.

MR. O'DONNELL: And a similar arrangement to that which prevailed in the United States was adopted here?

MR. ABLETT: That is right.

MR. O'DONNELL: Whereby, in the earlier stages of the industry, a lower freight rate than would normally prevail, was given to the industry?

MR. ABLETT: That is correct.

MR. O'DONNELL: And, in accordance with the arrangement set out there, on an escalator scale?

MR. ABLETT: That is right.

MR. O'DONNELL: And the railways went along with the industry; and, so long as the industry was getting a low return for its ores, the railway rate was, proportionately, low?

MR. ABLETT: That is correct.

MR. O'DONNELL: And, as ore value went up, the railway rates went up, to some extent?

MR. ABLETT: They sure did!

MR. O'DONNELL: But they did not share it directly, proportionately, as the price of the ore went up considerably more than the freight rate, over the years?

MR. ABLETT: I could not answer that last part, as to whether they shared proportionately, or not.

MR. O'DONNELL: The only increase through the years mentioned in the brief, and during the last twenty-seven years, has been the 21% increase granted on April 8, 1948; isn't that so?

MR. ABLETT: What is that?

MR. O'DONNELL: The only freight rate increase granted to the railways of Canada since 1920, was the increase last year, the 21% increase?

MR. ABLETT: That is correct.

MR. O'DONNELL: And in the interval, have you

any idea what these three ores were selling at, let us say, in 1920. I have the year book here, and it might be just as well to read these, if you will allow me; to put them on the record, from the year book.

MR. ABLETT: All right.

MR. O'DONNELL: I have the Canada Year Book for 1947; and at page 460, I take the first year shown there for lead. The price of lead as shown there if worked out -- and the computation, I had my learned friend Mr. Evans make that, with his slide rule -- that price of lead, in 1936, was 3.92¢ a pound. In 1939, it was 3.6¢ a pound; in 1941, it was 3.37¢ a pound; and in 1948 it jumped six times that; it had jumped up to 18½¢ a pound, as shown in the brief.

MR. ABLETT: What was it in 1928?

MR. O'DONNELL: The Year Book only goes to 1936. In 1936 it was 3.92¢ a pound.

The details concerning copper are shown at page 457 of the same Year Book. In 1936, the price of copper was about 9.4¢ a pound. In 1941, it was about 10¢; in 1948, it was 23.5¢. Then, it dropped again, as is shown in the brief.

The price of zinc will be found at page 463. In 1936, it was about 3.315¢; in 1946, it was about 8.72¢, as shown in the brief; and, in 1948, it was 17.5¢.

These increases, I think, we can agree, are many, many more times the amount of the freight rate increase last year. In other words, the price of the products you refer to there have been multiplied many times more than the relatively small freight increase of 40¢ a ton, which you refer to, at page 3, as being the

amount of the increase on the \$6 rate. That is correct, is it not?

MR. BRAZIER: The freight rate paid has gone up more than that. The price has gone up twice.

THE WITNESS: Take the figure of \$6 ore, and while we are quite willing to have you quote these figures on the three base metals, 1936-37, other conditions should also be brought into the discussion.

It should be pointed out that during the period, let us say, from 1933 to 1937, the cost of production of base metals in British Columbia was at the lowest possible level. In fact, one copper mine in this province received a citation for its ability to keep its mine going when the price of copper had practically disappeared. The price of copper at the present time is 16¢. I am advised that it has fallen since this brief was prepared.

MR. O'DONNELL: Q. You mean that it varies from day to day?

A. It has varied recently from day to day. The price of copper is 16¢ right now.

(Page 3238 follows)

MR. O'DONNELL: Q. I am just asking --

A You take a figure of \$6 ore, Mr. O'Donnell. While we are quite willing to have you quote these figures on three base metals, and to take the years 1936, 1937, and so on, other conditions which affect it should also be brought into the discussion. It should be pointed out that during the period - let us say from 1933 to 1937 - the cost of production of base metals in British Columbia was at the lowest possible level.

Q That is right.

A In fact, one copper mine in this province received a citation for its ability to keep its mine going when the price of copper was at about - well, it had practically disappeared. The price of copper at the present time is 16 cents. It has fallen since our brief was presented.

Q It varies from day to day?

A Well, it has varied recently from day to day. The price of copper is 16 cents now, and I believe I am qualified to say to you at 16 cents it is very difficult for even a large copper mine under present labour conditions, and high cost of equipment and so on, to make any money at all.

Q The railways have the same trouble.

A I agree that probably is the case, but to take the price at 1936 or thereabouts and to say this was the price of the metal, and then to say in 1948 the price was $23\frac{1}{2}$ cents I think only gives about half of that picture.

Q I am quite content to take the whole picture and have the record show it. I merely pointed out two or three years without any intention to try to show a picture. I am

quite willing to have the entire record as far back as you like to go on that.

A Then I would merely like to suggest if that were to be introduced we should go back at least through the depression period back to the price period before. I was not inferring, of course, there was any intent on your part.

Q I am sure you were not.

A I think to get the whole picture we should take all those prices.

Q I gave the reference to the page and the Commission will see the whole picture set out there. It is page 47. This issue only goes back to 1936 but I would not have any objection to you going back as far as you wish to go. I say that in the early days, when the arrangement was made between the railways and the industry, the escalator clause referred to in the brief was of great assistance to the industry?

A I would say it might have been of great assistance to some mines in the industry.

Q Leave it at that.

A We cannot assume it would be of great assistance to a very high grade, small tonnage operation.

Q The arrangement was made in the interests of the mining industry as such?

A Well, I cannot concede that but I hope it was.

Q You do not think those very astute business gentlemen who run the mines would have allowed those rates to prevail through the years if they felt they could have been changed, or some other more favourable arrangement made, do you?

A No, I do not mean that. Perhaps they wanted the railway service pretty badly.

Q That may be but all I am pointing out is the contract between the industry and the railways contained this escalator clause. In the early days that was favourable to the mines, and it may have been to the railways as well, but the railways at all times have got a much lower return and rate than they would be entitled to under a just and reasonable rate as fixed by the Board, a class rate. The industry has had commodity rates which are considerably below class rates?

A Would you say the reason the industry perhaps had had a favoured rate was because of the tremendous tonnage which is moved?

Q That may be one reason, but on the other hand I put it to you this way. The railways were virtually saying to the industry, "If and when you get a better price for your product then you will pay us a more reasonable price for the freight, but in the meantime we will go along with you and try to build up the industry, and we will take less than we are entitled to get." Isn't that what the arrangement was?

MR. BRAZIER: That is hardly a fair question to put to this witness.

THE WITNESS: I don't think I would care to answer that.

MR. O'DONNELL: You don't think you would care to answer.

MR. COVERT: Perhaps Mr. Ablett can.

MR. ABLETT: The margin between the maximum full

rates and the rates contained in the tariffs in question, when you sell \$100 ore, are practically at the 7th class rate, and it is only a matter of a cent or two difference, so you have not been giving much of a concession when it comes to that, and if you go over \$100 ore you add 20 per cent for every \$50 taking it above the class rate unless the mine releases it to \$100 a ton and takes --

MR. O'DONNELL: This \$6 rate you refer to on page 3 --

MR. ABLETT: When you speak about these low rates they have not been so low on \$100 ore.

MR. O'DONNELL: Everything being relative I will agree with you there, but this rate of \$6 on page 3, what ore is carried under that? That certainly is ore that is worth \$100 or more a ton?

MR. ABLETT: Which is that?

MR. O'DONNELL: I don't know what it is. You pay a \$6 rate.

MR. ABLETT. I haven't got any tariffs with me here.

MR. O'DONNELL: I have got the tariff with me, and as I read it the rate of \$6 would certainly be carrying ore that had a valuation of about \$100 a ton.

MR. BRAZIER: What distance?

MR. ABLETT: What distance? It all depends.-

MR. O'DONNELL: Here is one from Chu-chua to Sapperton. I don't know how many miles that is.

MR. ABLETT: I know where that is.

MR. O'DONNELL: Valuation per ton not exceeding \$100. There is a rate there of \$7.10. I ask you what ore that

rate would be, the \$6 rate?

MR. ABLETT: You can back it up about half of that distance.

MR. O'DONNELL: The 21 per cent increase on that you say amounts to 40 cents a ton. That is right?

MR. ABLETT: Yes.

MR. O'DONNELL: And 40 cents a ton on a product that is selling today for in excess of \$100 a ton?

COMMISSIONER INNIS: Can we have it clearly in mind whether you are thinking of concentrates or of ores? Are we talking entirely of ores?

MR. ABLETT: And concentrates.

COMMISSIONER INNIS: And concentrates, or just concentrates?

MR. ABLETT: They are contained in the same tariff. It is strictly confined to that, not the finished product.

COMMISSIONER INNIS: It makes a difference whether you are shipping from a mine which is not near a smelter. It makes a difference whether you are talking about concentrates or ore.

MR. ABLETT: The concentrate is generally made at the mine.

COMMISSIONER INNIS: I see what you mean. Have you no mines without mills?

THE WITNESS: Yes, we ship both raw ore and concentrates.

COMMISSIONER INNIS: Q. That is what I wanted to make certain about, to what extent there was any raw ore in his?

A We do not endeavour to separate the raw ores from

the concentrates.

Q That is not very important?

Because there is a considerable shipment of raw ore from the smaller mines, and most of the larger ones shipping bigger tonnages, of course, have their own concentrating plants and ship concentrate directly to the smelter, but it is important to the extent that in British Columbia in particular there are a great number of smaller mines. Some of the larger mines started out by shipping ores. In fact, it is quite a common occurrence here, and therefore anything which tends to discourage the shipment of ores from small properties automatically tends to discourage the mining industry and affects both the industry and the railroads materially.

Q Are you inclined to stress the position of these small properties which have no mills or are you thinking more of the --

A We do not endeavour to separate them. We thought the problem was the same to both of them. They are both running into the problem of freight charges. Our main principle here is simply that we have a sliding scale of freight rates here and then we have a 21 per cent increase put on the top. There are some important small mines here mining narrow, broken veins, and the costs of those mines are very high, but because of the high grade nature of the ore they are able to ship, and it is an undue penalty to turn around and put a 21 per cent surcharge, as you might say, on their freight charge which is already on a sliding scale.

MR. O'DONNELL: Q. Mr. Mitchell, what it gets

down to is this, that you made a bargain with the railways many years ago and under it they have carried your ore and concentrate for many years, with the escalator clause in it, but what has happened in the last two years, when the price of ore went up very considerably, has caused you to indicate you would like to change the contract at this time? Isn't that what it amounts to?

A I would say no, Mr. O'Donnell to that. If I may go on, I would say it was possible during certain pre-war periods at much lower prices for our mines to make considerably more money, or at least to make some money, where now under current high operating costs, regardless of the present level of prices, the mines are not able to make any substantial amounts.

Q On page 3 of your brief you state that the 21 per cent increase makes difference of 40 cents a ton, and 40 cents a ton on the product which offhand I would estimate has a value, if it is ore or concentrate, of something in the neighbourhood of \$100 or more a ton, you think --

MR. ABLETT: It all depends on the tariff.

MR. O'DONNELL: I am looking at the page I read a minute ago, Chu-chua to Sapperton, B.C., valuation per ton not exceeding \$100, rate 2,000 pounds \$7.10. I asked you that ore that would be so I could try to correlate the price but you did not remember offhand. At the bottom of the page you refer to one C.P.R. tariff and you say the increases in many cases were more than \$2 a ton. Now, couldn't the increase in the price of the ore have been any many times \$2 a ton?

THE WITNESS: I don't know now, Mr. O'Donnell.

We are stressing the point that the increase was \$2 a ton. You must take into consideration some mining practice here. As costs go up it becomes necessary for the mining operation in order to keep going to mine higher grade ore than perhaps good mining practice would indicate is advisable. We have found that the case, as I am sure you know, with regard to gold mines now. There was a rapid increase in the base metal prices with which we are now dealing, but it was of a very very temporary nature. The net result of that has been that a large number of mines have either increased their capacity, or have put in new plants, new installations, in the last short while, and are now confronted with a precipitous price drop. I might point out that the price is falling far faster than it went up, and still we have not got a parallel reduction in our costs.

MR. O'DONNELL: Q. It can still drop quite a bit before it gets back to the 1939 price?

A Well, if it gets back to the 1939 --

Q Or 1936 price?

A If it gets back to that we won't have a mining industry.

Q And we won't have any freight to carry?

A Yes.

Q And that was the basis of the original contract with the industry. The railways said, "We will go along with you as long as you are getting a low return. We will take a lot less than our normal rate but as and when the price of your product goes up then the freight rate will go up accordingly, or will go up in a directly proportionate manner, but go up some." Isn't that the arrangement?

MR. ABLETT: I think the contracts originally made in that regard were not looking so much at the E. & M. J. prices, the Engineering and Mining Journal prices, as they were looking at what the man was finding in the ground. If he struck it lucky they would share with him.

MR. O'DONNELL: Are they not entitled to continue to share with him?

MR. ABLETT: I would dispute that. It should be modified, I think.

MR. O'DONNELL: For instance, copper in 1936 was nearly four cents, in 1939 was $3\frac{1}{2}$ cents. Copper in 1948 was 23 cents. If we take it at 6 cents it was \$120 a ton you were getting for your copper, and at 23 cents you are getting \$460 a ton. The freight rate goes up about 40 cents, the 21 per cent increase and any other increases, \$2.40, and your product has gone up three times, four times, when it was. You would like to have the escalator clause taken out now. Is that the proposal?

THE WITNESS: I think perhaps, Mr. O'Donnell, we will say we would like to have the escalator clause modified because we feel that on high grade mines it imposes a rather heavy rate, and we find most of our high grade mines are small ones, but I still must register the point that you have referred to a $23\frac{1}{2}$ cent price for copper. The $23\frac{1}{2}$ cent price for copper was of all too short duration as far as the mining industry is concerned. We are now confronted with a 16 cent price for copper, and with costs which have more than doubled in the period under consideration.

MR. O'DONNELL: At the 16 cents you are getting low -- the figure you gave for copper on page 1 of your

brief was 17 -- that is \$320 a ton, and before the war you were getting approximately 6 cents, 4 cents.

MR. ABLETT: I will venture right here to correct your impression. I will venture to state, without much fear of contradiction, that there was not a pound of concentrate copper ore being shipped in 1936 in this province because the mines were shut down, when copper was that price, as far as real shipments were concerned, so don't assume. We must not assume.

MR. O'DONNELL: I am not assuming at all. I am taking the Canada Year Book figures, and I asked you as to the prices, and I am quite willing to take the prices you give yourselves here, and rely on those. Copper at 16 cents a pound is \$320 a ton.

THE WITNESS: Permit me to correct you there. Copper at 16 cents a pound is \$320 a ton. That is quite correct, but when a mine is mining 2 per cent copper at 16 cents a pound, and shipping to a concentrator and then to a smelter, it does not follow that the smelter pays the mine 16 cents a pound. The 16 cents a pound figure, which is quoted here, as the price of copper, is the Engineering and Mining Journal's regular figure, which is not what the smelter's settlement figure is. There is quite a difference in the money involved on that, and I think we should have that point in mind.

MR. O'DONNELL: Q. I am only going by what you say in the brief. I don't know any of the refinements you mention. I just took your figures in the brief. It struck me on the basis you set it up there somebody is getting \$320 a ton for copper whereas previously on the 6 cent basis they got \$120 a ton, or in 1939 about \$60 a ton, and

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you will

the price of copper having gone up as it has, the value of the ton being about \$200, your freight is up maybe \$3 or \$4?

A I am afraid I am not making myself clear. I must apologize.

Q Maybe it is my fault.

A To get 2 per cent copper to a smelter does not mean you get \$320, or whatever the figure is, for every ton of material you ship. You must remember the content of the material. If it is concentrated it is only concentrated in a ratio of whatever the metallurgy of the ore will permit. If it is raw ore it would be impossible, but if you can ship 2 per cent raw ore to a smelter you would have to ship 50 tons of 2 per cent ore.

Q Is there a smelter at Sapperton?

A There is no smelter right now treating copper in the province of British Columbia. We have to move copper to Tacoma or Washington or Montana.

Q Do you know what moves from Hope to Sapperton in British Columbia?

A I would say possibly materials off the Kettle Valley line move down to Sapperton. I think the railroads would have to answer what they have there.

Q I just happened to pick that. That is tariff item No. 1615, C.F.C. W 1962, and from Hope to Sapperton, when the valuation per ton does not exceed \$50 the rate was \$1.75, and when it did not exceed \$100 it was \$2.45. In that tariff the freight is relatively low?

A Yes.

Q It is about one-fiftieth part of the valuation of the ore.

MR. BRAZIER: Is that a C.N.R. rate?

MR. O'DONNELL: Yes.

THE WITNESS: I don't know how much would be moving around there, but I am quite willing to accept that point about rates if you are willing to concede the point we are not shipping 100 per cent copper but rather an entirely different product.

MR. O'DONNELL: I was wondering why you wanted to change the contract. That is all. Thank you very much.

CROSS-EXAMINATION BY MR. EVANS

Q I have one or two questions. There seems no doubt, Mr. Mitchell, that the arrangement with regard to the escalator scale of rates was a matter of agreement?

A I think that is so.

Q And it is equally clear that it is a principle that has been followed in the United States?

A Yes, I believe that, too.

Q Have you asked the railways for a change in that?

A To my knowledge and in my time in British Columbia I have not heard of a direct approach.

Q How about Mr. Ablett?

MR. ABLETT: Not to my knowledge.

MR. EVANS: I was wondering if you had asked the Board to consider ordering a change in that rate?

MR. ABLETT: Pardon?

MR. EVANS: Have you asked the Board of Transport Commissioners to make a change?

MR. ABLETT: I think the first move would be rather through the railways rather than to go to the Board.

MR. EVANS: I was wondering if it would not have been the fair thing to do to go and tell them your troubles? Do you think perhaps it would be?

MR. ABLETT: I don't know. This is something to do with the whole industry in the province. When you go into the railways you have to go in as a shipper, and this is embracing all shippers.

EVANS: We embrace all shippers, too.

MR. ABLETT: Yes, and you do not deal with associations when you are going to set a rate.

MR. EVANS: There is one other point. You refer to the fact that in the United States the Interstate Commerce Commission established a maximum of 30 cents a ton in 1948 under Ex Parte 162.

MR. ABLETT: Ex Parte 162.

MR. EVANS: I suggest to you there was an increase of 10 per cent in 1938 with no maximum?

MR. ABLETT: Yes.

MR. EVANS: Of 20 per cent on January 1, 1947, with no maximum?

MR. ABLETT: That is true.

MR. EVANS: And 4 per cent on January 11, 1949, with no maximum?

MR. ABLETT: January 11 of 1949?

MR. EVANS: Yes. That is Ex Parte 168.

MR. ABLETT: 166 -- I wasn't aware of that last one.

MR. EVANS: Three out of four have no maximum?

MR. ABLETT: By the way, Mr. Evans, do these ex parte orders apply on top of 162 which has a maximum

and keeps it on a level keel?

MR. EVANS: Oh, no.

MR. ABLETT: You mean they say they apply upwards?

MR. EVANS: They were percentage increases in the existing rates, and there was a maximum placed only in one of those four cases on the new increases. What I suggest to you is that these increases were superimposed also on a scale of rates based on an escalator clause which is what you are complaining about here?

MR. ABLETT: Yes, and I believe they are complaining over there.

MR. EVANS: Are they really? Thank you.

EXAMINATION by MR. COVERT

Q Mr. Mitchell, there is one thing I would like to clarify a bit, and that is the effect of how this increase in the assay of the ore shifts it into a higher bracket. I think that is right, isn't it?

A Yes.

Q Can you give us an example of how that works?

A If you are mining ore, let us say, in a comparatively large mine the general experience, unless you are very fortunate, is that your ore body in these days is perhaps a little better than marginal. You can make a little money on it. If you are confronted with increased mining costs why then you are faced with a position whereby either you must delimit your ore body and say, "This part over here is worth twice as much as this part over here and therefore we will mind the higher grade to break even or make a little profit and keep the mine running or we will close down."

Your trend then is to mine the higher grade ore. That higher grade ore is shipped to the smelter as a concentrate or as raw ore -- it doesn't matter -- and it is assayed there by the smelter. We are charged freight rates which are based on that smelter return, in other words, on the report from the smelter as to the metal content of that ore or concentrate.

Q Perhaps you can give me an example of just how that would affect the particular rate. For instance, suppose previously your ore assayed at so much a ton, and then you follow the procedure you have outlined here, and we will say it assays at a higher rate per ton. How does that take you out of one valuation into another? Can you give me an example with figures?

A Suppose you had an ore that you were shipping to the smelter that was worth \$5 a ton, that is, the smelter told you it was worth \$5 a ton.

Q Yes.

A And the price of your metal went up. Then that ore, similar ore shipped to the smelter, would net you a smelter return of the original price plus the increment of the rise in the value of the metal.

Q Yes.

A On the other hand, you can change your assay return without the price of the metal going up. You can change that without the price of the metal going up by mining ore of a higher grade from your mine. As I pointed out before economic circumstances may dictate the necessity of leaving behind low grade and marginal material, and when you ship your higher grade ore to the mine your assay return will

show that, instead of being 2 per cent copper, you are shipping 4 per cent copper to the smelter. Naturally the value of it is going to be doubled per ton.

Q So if your assay goes up and the price of your product goes up it brings it into a different bracket for freight rates?

A Either one can.

Q Either one can do it, and if both apply?

A When both apply you have got a pyramid there.

COMMISSIONER INNIS:

Q I was going to ask a question in the same connection. As between different smelters, if the price goes up, is it possible to shift your terminal from one smelter to another because of the distance? Does that factor enter into it?

A I wouldn't care to say. That is a point that rests with the shipper. In most cases distance and the willingness of a smelter to accept are two important factors. During the last while there was a question of whether a mine located in southern British Columbia should ship to a smelter close at hand or ship to East St. Louis.

Q If prices went up or prices went down, presumably you would ship to the B. C. smelter?

A I think in ninety-nine cases out of every hundred at least we would ship to the B. C. smelter because the mines which are shipping to the principal smelter in B.C. have always had fair treatment, good treatment, and there is the question of refereeing assays, and a lot of things like that.

Q I am thinking only of price. If the price went up

a substantial amount you could possibly send it to St. Louis?

A You mean if the generally prevailing price went up?

Q Yes.

A You could ship it there, yes.

MR. COVERT: Q. Then it is when you have a flat percentage increase come along that it makes what you say is another pyramid because that pyramids on the additional price and the increased assay?

A That is correct. That merely increases our problem.

Q This is the kind of rate that you would wish really on the basis of what the traffic will bear, or value or service as distinguished from cost of service?

A Yes, within limits. It has already been pointed out that perhaps the original rate was possibly arrived at by agreement with the mines, but we need railway service, and the railways need the mines. Mining happens to provide-- I believe I am correct in saying this-- the largest single freight traffic in Canada. We are also acutely aware we have to have railway service.

Q. You go this far, I take it, that the price of the product may go up three or four times; but you may still be losing money?

A. If it went up three or four times, I would not say we were losing money on some of the major operations, or some of the smaller ones. But although the price has gone up five times since 1936, some of the major mines in this province are just getting by, and no more than that.

Q. You started to tell us about the mine which was awarded a certificate. Were you going to say what had happened to that mine today?

A. The mine which was awarded a certificate of recognition of its achievement by keeping going during the depression had stockpiled the majority of its ore, and, by making great sacrifices, and by the mine employees making considerable sacrifices in the way of wages, that mine was able to keep its doors open and provide some work. But that same mine today, with copper at a price of 16¢, is, perhaps, getting by with a very small profit, and less of a profit than it should be earning.

Q. So you say that this escalator clause may have been a bad bargain?

A. If we accept that it was an important contributing factor in the opening up of the mine in British Columbia, I would say it was worth while.

Q. Is your chief objection here, perhaps, that a flat percentage increase, in a case where there is an escalator clause which does give the railway more money on the basis of the value of your product and the assay of your product, even though the industry might not be

making more money itself?

A. I would say yes; with the modification and the wide belief that even the escalator clause, in the light of present conditions, at least, we should have an opportunity of presenting arguments for its modification. Definitely we are opposed to the application of a 21% rate increase which hits very hard at high brackets.

Q. I see; or any flat percentage increase; but is it the principle of the flat percentage increase, or is it the amount?

A. Both, I would say.

Q. Both; I see. Then, this arrangement is not peculiar to British Columbia, is it, in Canada?

A. Not to my knowledge. I would have to leave that one to Mr. Ablett. I do not know.

MR. ABLETT: They have the same system in the United States.

MR. COVERT: What about the other parts of Canada?

MR. ABLETT: I could not say as to that.

MR. COVERT: Q. Has this affected you from the point of view of competition at all?

A. You mean, from competition with the railways?

Q. No. Competition with other producers?

A. I would say that when the metal prices reached a point where a large mine cannot operate, then competition is not a particularly great factor. Its markets should determine, more than anything else, whether or not the mine can operate profitably. We produce but a small proportion of the world's metals, yet we sell to all the world, you see.

Q. I think you mentioned at the top of page 4 of your brief:

"The mines of the province of British Columbia appear to be paying a greater share of transportation charges than is just and reasonable, compared to what other shippers are paying. For example, automobiles . . ."

I presume from the examination by counsel for the railways, that you got your low rate when your industry was starting; and now you are beginning to pay for that low rate?

A. I do not necessarily agree with that.

Q. Your point is that the automobile may have doubled in value?

Q. But the ore has trebled and quadrupled?

A. There has not been a compelling freight penalty on this double value for an automobile.

Q. That would depend on the kind of contract, would it not?

MR. ABLETT: At that rate, an automobile should be around \$12 a hundred instead of \$6 or \$7. Applying the same principle to the shipment of automobiles as has been applied here. Let us say the automobile between 1939 and 1949 was double the sales price. The rate was \$5.10, I think, from eastern Canada to the west. I say that subject to correction. And the rate would be?

MR. O'DONNELL: \$10.20 plus 21%.

MR. ABLETT: Yes, \$10.20 plus 21%, which would bring it up somewhere around \$12.

MR. O'DONNELL: Q. But they did not have the benefit of the low bracket for the term of years that you did?

A. We still think that we were contributory in building up the traffic.

Q. We each might differ

MR. COVERT: Q. Could you file with the Commission the tonnage production for the past twenty years, and the approximate value of your product for the same period; and the approximate freight rates paid, and, in terms of tonnage, the outlet for your products?

A. Approximately the freight rate, and what else?

Q. In terms of tonnage, the outlets for your products?

A. Yes; I do not think we would have too much difficulty in obtaining that information.

Q. You say, at one stage, that you paid a very high percentage. Perhaps you did not use the actual figures, but I think that information would be of interest.

COMMISSIONER ANGUS: Q. Just one word about the final paragraph of your brief. This Commission is concerned with general principles. It would be very useful to have your submission. But if you are asking for any specific change in the 21% increase, then you should deal directly with the railways, or with the Board of Transport Commissioners, and not with us.

A. The idea there, Mr. Chairman, -- that last paragraph incorporated an apology to yourself and to your Commission in that, due to circumstances over which we had no control, we were somewhat late in getting our brief submitted; and we merely hoped that you would recognize our brief.

Q. It was the mention of the Board of Transport Commissioners which drew my attention. Thank you very much.

MR. O'DONNELL: Q. Tadanac is the only smelter in British Columbia, is it not, Mr. Mitchell?

A. At the present time it is the only smelter in British Columbia. And as a consequence, we have some small smelters, so-called, here in town; but they do not treat any great tonnage.

Q. For the convenience of the Commission I wanted to indicate that.

MR. BRAZIER: Is that the Department of Mines report?

MR. O'DONNELL: Have you got one? It would be handy. It is Exhibit 36; and at page DD 26, under the general heading of "Mining", details are given as to the value of mining activity in British Columbia, in the years 1946 and 1947, with a preliminary estimate for 1948. And it gives the total value of mining production as being, in 1946, \$71,807,951; in 1947, \$113,221,254; and the 1948 estimate is \$150,000,000. And those three breakdowns have copper, lead and zinc, particularly, the three metals which are mentioned in the brief. Now, if the reporter would be good enough to incorporate them in the record, without my having to read them all, it might be of interest.

Table 1 -- Economic Activity in British Columbia,
1946 and 1947, with Preliminary Estimates
for 1948

	<u>Unit or Base Period</u>	<u>1948 Preliminary Estimates</u>	<u>1947</u>	<u>1946</u>
Mining -				
Total value of production	\$	150,000,000	113,221,254	71,807,95
Gold production	Fine oz.	----	249.013	134,74
Silver production	\$	----	4,109,538	5,324,95
Copper production	\$	----	8,519,741	2,240,07
Lead production	\$	----	41,884,977	23,489,33
Zinc production	\$	----	30,147,039	21,143,08
Coal production	long ton	----	1,717,476	1,463,64

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MR. EVANS: Q. That \$150,000,000 preliminary estimate for 1948 production, when divided into \$2½ million of freight rates would be about 1 3/4%?

A. I would just have to question you, I think, a little bit there; or, at least, if you would permit me to correct you. The freight charges on the items referred to in 1947 and 1948, were copper, lead, and zinc. If you will check your other figures you will find your \$150,000,000 figure for the one year was all mineral production in British Columbia, and not necessarily metal. And, if it did include metals, then it included gold, silver, and other metals as well.

MR. O'DONNELL: That is right.

A MR. EVANS: Q. What was the value, in 1948, of those items for which you protest the freight rate of \$2,004,000?

A. I would have to get that for you. We incorporated them for two years. But, at the last minute, I got the freight for the one year, so I just put it in there.

Q. It would probably not be above the order of 2 1/2 per cent?

A. I would not care to make a statement on that at all until I had seen the figures.

MR. O'DONNELL: Again, for the record, I refer to an extract from page 5 of Exhibit 36, which reads as follows:

"In the primary industries -- forestry, agriculture, mining, and fishing -- substantial gains in production have occurred. Higher prices have contributed in some measure to the increase in dollar values, but actual production has increased, particularly in forestry and mining." And again, in the Annual Report of the Minister of Mines, for the year ending December 31, 1947, at page A-60, we find this:

"The total value for principal metals, minor metals, and sulphur, was nearly \$98,000,000, a figure much greater than the comparable one for any preceding year."

Q. Over the last few years, the industry has prospered and made money, has it not?

A. A section of it has, yes.

Q. Taking in copper and lead mines in particular?

A. Most of them.

MR. O'DONMELL: Thank you very much.

THE CHAIRMAN: Are there any other briefs?

MR. COVERT: No, Mr. Chairman, that was the final brief.

MR. BRAZIER: Mr. Chairman, there are just one or two matters I would like to bring to the attention of the Commission before you adjourn.

In the first place, a question was raised, I think, by Mr. O'Donnel., in regard to the brief of the Vancouver Board of Trade, and he questioned as to whether or not the wages of some railway employees meant the rate of wages or the total wages. I am now advised that it was taken from the index number of rates of wages in various occupations of Canada. Therefore it is an index number of rates of pay and not the total amount of the wages.

The second matter is one which I have mentioned to Mr. Covert, and I would just like to have this on the record. In view of the fact that we have heard so much about the postcards to the Board of Transport Commissioners, let me say that I have had handed to me some correspondence which took place between an association which was actually complaining about the freight rates, and there is included the replies which they received from the Board.

With your permission, Mr. Chairman, I would just like to read the telegram and letter to the Commission, and the two letters received back from them, to show what actually has happened, in actual fact,

in a specific case.

This telegram was dated the 17th of March of this year, and was signed by the Canned Foods Association of British Columbia, and was sent to the Board of Transport Commissioners at Ottawa. It reads as follows:

"Vancouver, B.C., March 17, 1949

Board of Transport Commissioners,
Ottawa, Ontario.

"We request that your Board suspend item twenty-three twenty dash C to supplement number one hundred forty-six C.P. tariff one sixty C effective April first nineteen forty nine which covers shipments of sugar tailings from coast to interior points stop Increases since April eighth nineteen forty-eight to Kelowna now total thirty-seven cents or eighty-three per cent over old rate stop This new increase if permitted will very seriously affect the cost of canned fruit packed in this province which will reflect itself in the already high cost of living stop Kindly advise your decision this regard.

Canned Foods Association of

British Columbia."

The Canned Foods Association of British Columbia received in reply a letter dated March 19, 1949, signed by the Secretary of the Board of Transport Commissioners. The letter reads as follows:

"I am directed to acknowledge receipt of your telegram of 17th instant wherein you request that the Board suspend Item 2320.C in Supplement 146 of Canadian Pacific Tariff C.T.C. W.3890, which Item provides that the rates on sugar tailings to points in the Okanagan Valley will be cancelled effective April 1st, 1949.

"An examination of the said tariff indicates that the rates now in effect were published and have always been published by the carriers to meet motor truck competition.

"The Board has repeatedly held that it is within the discretion of the railways to meet competition or to withdraw therefrom. The Board's powers are necessarily limited to questions of unjust discrimination in regard to competitive rates and not as to the reasonableness of the rates. The Board has also held that it is not the privilege of the shipper to demand less than normal rates because of such competition unless the railway in its own interest chooses to meet it.

"By the cancellation of the motor truck competitive rates at present in effect, the carriers indicate they no longer desire to meet such competition.

"Under these circumstances, the Board is unable to grant your application and it must be and is therefore denied."

Subsequently, on the 23rd of March, 1949, after receiving that last letter, they again wrote to the Secretary, when they said:

"In reply to your letter of March 19th I would advise that we agree with you in that the rate on sugar tailings under Item 2320.C in Supplement 146 of Canadian Pacific Tariff C.T.C. W.3890, is basically a truck compelled rate and that your Board does not have the authority to rule on any increases made thereon.

"We do feel however that we are being unjustly discriminated against in view of the fact that canners in Eastern Canada, who I might add are flooding our market at the present time with canned goods, receive their sugar from Halifax or St. John at a rate much more favourable than that accorded the canners in the Interior of this Province. I might also add that the Eastern rate is for refined sugar, not sugar tailings as is the case here and also that the mileage from Halifax to Toronto is 869 miles whereas the mileage from Vancouver to Kelowna is only 567 miles.

"Sugar is a major item in the manufacture of canned fruits and any increase, either in the price of the sugar or in the freight rates in getting the sugar delivered to these interior points will put our interior members in a worse competitive position than they are at the present time.

"We are checking further on this matter and will write you within the course of the next few days."

Several further letters were written and further information supplied to the Board. Then, finally, they received, on April 9, 1949, this letter

from the Secretary:

"Referring to your letter of 28th ultimo wherein you allege that by reason of the publication of certain rates on sugar from Maritime Province points to destinations in Ontario and Quebec, undue discrimination occurs with respect to the movement of similar traffic from Vancouver to interior British Columbia points.

"The Board has on many occasions in the past dealt with complaints of unjust discrimination and with the object of providing you with an understanding of the Board's position with respect thereto the following are extracts from the Board's judgments."

Then follow four extracts from various cases:

"It is a matter of general knowledge that there are differences in the rates on the same traffic for similar distances in different parts of the country, and that this does not constitute unjust discrimination of the character forbidden by the Railway Act:

Consumers Glass Co. v. C.F.A., 34 C.R.C. 56 at 75."

"Difference in rates upon different parts of the same railway does not necessarily constitute unjust discrimination:

Dominion Sugar Co. v. C.P.R., 34 C.R.C. 71."

"Actual detriment due to a difference in tolls and resulting from competition in the same market is necessary to establish unjust discrimination:

Empire Flour Mills v. M.C.R., 16 C.R.C. 425;

Spanish River Pulp & Paper Mills v. C.P.R., 28

C.R.C. 100."

"One criterion of unjust discrimination as between localities is whether the district alleged to be discriminated in favour of has profited at the expense of the locality against which it is alleged the discrimination has taken place:

Winnipeg Board of Trade v. C.P.R., 36 C.R.C. 100;
Estabrooks Ltd. v. C.F.A., 37 C.R.C. 134."

And then the Board proceeds:

"It is the Board's understanding that the rates from the Maritime Provinces referred to by you are now under review by the railways with the object of bringing them into line with existing competitive conditions. There has been some delay in reviewing these and many other competitive rates which were held frozen under the price ceiling of the Wartime Prices and Trade Board regulations, consequently, the Board would not be prepared on what is now before it to consider that such rates constitute unjust discrimination in the manner suggested by you or that they would furnish adequate grounds for the Board to suspend Item 2320.C of Canadian Pacific Tariff C.T.C. W.3890, Supplement 146. What was stated in my letter of March 19th respecting such tariff provisions represents the Board's decision in that respect."

That is a case that actually went before the Board. I am not commenting on it in any way, but it does show a situation that actually occurred.

MR. EVANS: My learned friend may not be intending to comment on it, but I think he might, at least, give us the benefit of knowing why he objects to this procedure. I would have thought that the clearest kind of

answer was given in the Board's decisions, and that they followed precedent, as it has always been laid down. So I cannot see the purpose of asking this Commission to consider it. At the time when this truck competitive rate was cancelled, the industry was informed that the removal of the mountain differential was going to result in lower rates than the truck competitive rates, and that was the fact.

MR. O'DONNELL: They want everything cancelled!

THE CHAIRMAN: Is there any further explanation on that? Now, before we adjourn, I want to make one statement.

You will recall that at the hearing in Victoria on June 23rd, counsel for the province of Alberta, speaking for himself as well as for counsel for the province of Manitoba and counsel for the province of Saskatchewan, gave his reasons for requesting an extension of time for filing the final brief or written submission from August 6th until September 12th.

Following this request by provincial counsel, counsel for the Canadian Pacific Railway Company and counsel for the Canadian National Railways both spoke to the question and said that they could not be ready with their final written submissions before October 1st. They also explained that in the event the Commission saw fit to grant the provinces an extension of the time until September 12th, it would be necessary for the Railways to have until October 12th for filing their final submissions.

The Commissioners have had an opportunity of considering these requests for extensions of time and have

reached a decision. In announcing this decision, we wish to make it quite clear that we are not disposed to consider any further requests for extensions of time and that the Commission is making no alteration to the announcement it has already made concerning the studies which its experts are making. We wish, therefore, to state that counsel for provincial governments who will be presenting their final submissions at the hearings to be held in Ottawa will have until September 12th for filing of such final written submissions. Counsel for the Canadian Pacific Railway Company and the Canadian National Railways and the Railway Association of Canada will have until October 12th for the filing of their final written submissions. In making this decision, we also wish it to be clearly understood that at the time of filing of final written submissions by counsel for provincial governments they will also be expected to provide the necessary copies of such written submissions to counsel for both railways and the Railway Association of Canada. Similarly counsel for the Canadian Pacific Railway Company and the Canadian National Railways and the Railway Association of Canada will be expected to provide the provincial governments concerned with copies of their final submissions when these are filed with the Commission. Counsel for the provinces may, at their option, file written replies after receipt of the final written submissions of the railways.

Before adjournment, I wish to thank the
Province of British Columbia ^{for the help} it has given to this
Commission during the sittings in this province.

--- The Commission adjourned at 4.30 p.m.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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THE ROYAL COMMISSION ON TRANSPORTATION

HALIFAX, NOVA SCOTIA,
TUESDAY, JULY 12TH, 1949

HON. W.F.A. TURGEON, K.C., LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

APPEARANCES:

F. M. Covert, K.C.	}	Counsel for the Commission
Gaston Desmarais, K.C.		
H. E. O'Donnell, K.C.	}	Counsel for the Canadian National Railways
H. C. Friel, K.C.		
K.D.M. Spence	}	Counsel for the Canadian Pacific Railway
I. D. Sinclair		
J. J. Frawley, K.C.,		Representing the Province of Alberta
Frank D. Smith, K.C.		Representing the Province of Nova Scotia and the Transpor- tation Commission of the Maritime Board of Trade.
J. Paul Barry		Representing the Province of New Brunswick.
J.O.C. Campbell, K.C.		Representing the Province of Prince Edward Island.
C. D. Shepard		Representing the Province of Manitoba.
M. A. MacPherson, Jr.		Representing the Province of Saskatchewan
P. J. Lewis, K.C.		Representing the Province of Newfoundland.

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Mr. Chairman, the first item on today's agenda is a statement by the Premier of Nova Scotia, Premier Macdonald.

PREMIER ANGUS L. MACDONALD, Called

THE WITNESS: Mr. Chairman and gentlemen of the Royal Commission: in this city at this time we have many visitors who have come here to join with the citizens of Halifax in celebrating the bi-centennial of the founding of the city. They are, as always is the case, welcome in our midst. You have come here for another purpose, a purpose that is intimately associated with the economic future of this province. For what you represent in your official capacities, and for what you are personally, we welcome you to Nova Scotia with special heartiness. We hope that what will be said here may be helpful to you in coming to conclusions for presentation to the Dominion Government.

The matter of transportation in Canada is not a new field for study by Royal Commissions. Without exhausting the list, may I recall briefly to your minds that some twenty-three years ago the Duncan Commission on Maritime claims gave some consideration to this matter, and out of the Duncan Commission report came the Maritime Freight Rates Act.

Then again in 1932 the Duff Royal Commission, headed by Sir Lyman Duff, inquired into the whole problem of transportation in Canada.

In Nova Scotia in 1934 the Jones Commission was appointed by the Government of Nova Scotia and gave a good deal of attention to transportation as it affects the economy of this province.

Then, of course, the Board of Transport Commissioners and its predecessor, the Board of Railway Commissioners, naturally have given much study to transportation problems in Canada.

Despite the work of all these royal commissions the transportation question in Canada is still one that furnishes great controversy. This is not in any way to reflect upon the efforts of the bodies which have dealt with it in the past. On the contrary it is my conviction that matters might be in a much worse state than they are if it had not been for the researches of these commissions, and the action that followed thereon. We hope now that this Royal Commission, profiting by previous studies, helped by the representations that will be made to it in all parts of Canada, and guided by the experience and the intellectual powers of its members, will be more successful than former royal commissions. We pray that it may be a commission to end all commissions on this subject.

Mr. Chairman, I do not intend to speak in any detail this morning. The detailed case for Nova Scotia will be presented by others who have given much time and study to the matters involved. I am impelled, however, to notice an argument that has been advanced by one of the railway companies that are parties to this discussion. I observe in the submission of the Canadian Pacific Railway the statement that regulation of public utilities,

including railway utilities, is necessary. This is a statement with which I think everyone will agree. The submission then goes on to state that regulation must not be carried too far, and that above all the problem must not be allowed to become "hedged about with political controversy and subject to political solutions." Then the Canadian Pacific Railway submission, in paragraph 7 on page 2, makes what I consider to be an indirect attack on this Commission itself. The submission states that:

"....regulation should be performed by a tribunal administrative in character but wise and judicial in its decisions, free from the stultifying effect of having its decisions subject to review and appeal by a political tribunal."

The brief goes on to say:

"....it is, in the view of the Canadian Pacific, extremely important that neither parliament nor the Governor in Council should provide the arenas in which questions primarily for the administrative tribunal are argued and disposed of."

Mr. Chairman, as I read those statements in the Canadian Pacific submission, I am driven to the conclusion that the reference to a political tribunal is intended to be a reference to this Commission which was appointed by the Governor in Council on the request of seven of the provinces of Canada. The administrative tribunal referred to is, I take it, the Board of Transport Commissioners. That is the tribunal which the Canadian Pacific Railway thinks should have the last word in the matter of railway regulation. I should like to record my

complete dissent from the view expressed by the C.P.R. I shall refer now to some of the events that have led up to the appointment of this Royal Commission.

On October 9, 1946, the Railway Association of Canada made application for a general increase in tolls and freight rates.

The application was considered by the Board of Transport Commissioners for a year and a half and then on March 30, 1948, the Board made its decision allowing an increase of 21 per cent to the railway companies. On three days notice the increased rates went into effect in spite of efforts by seven provinces of Canada to have the imposition of these increased rates deferred for thirty days, during which the judgment of the Board of Transport Commissioners might be studied and during which, too, the provinces could decide which of several courses open to them under the Railway Act they might take.

On April 26, 1948, the Premiers of seven provinces appeared before the Dominion Cabinet to protest against the judgment of the Board.

A further conference between the Premiers of the provinces and the Dominion Cabinet was held on July 20, 1948. At both of these hearings, the April 26 hearing and the July 20 hearing, the provincial Premiers disagreed with the suggestion that the Board of Transport Commissioners for Canada should undertake a thorough investigation of the rate structure of railways and railway companies. In their view no useful purpose would be served by a further inquiry by that Board. The provinces in April and in July set forth the view that the only satisfactory way in which the matter

could be studied was by the appointment of a Royal Commission. Finally, on September 27 and 28 of last year, the Premiers appeared a third time before the Dominion Cabinet. On this occasion representatives of the railways were also present and the seven provinces formally argued an appeal from the decision of the Board of Transport Commissioners. Shortly afterwards the Dominion Cabinet passed an Order in Council agreeing with much of the argument previously advanced by the provinces and directing the Board of Transport Commissioners to undertake further investigation and study of certain complaints made by the provinces.

Then on the 29th December last this Royal Commission was appointed to "review and report upon the effect, if any, of any economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein", together with certain other specific tasks set out in the Order in Council appointing this Commission.

That is the history of this matter, and let us see what would have happened had the view of the Canadian Pacific Railway, expressed in its submission, prevailed. The decision of the Board of Transport Commissioners of March 30, 1948, would have stood unchanged with all its defects and weaknesses; defects and weaknesses, I may say, which have been recognized by the Government of Canada, which have been pointed out repeatedly by the seven provinces, and which in their fundamental aspects have never been defended adequately by the railway companies. That decision, wrong and defective as it was in many respects, would have stood in order that this whole matter

of freight rates might not be "hedged about with political controversy nor be subject to political solutions". I think that any one who understands much about political affairs will agree with me that it is highly desirable and necessary that there should be some means of correcting a decision of that kind.

The suggestion of the Canadian Pacific Railway seems to be that matters of this sort should be dealt with by the Board of Transport Commissioners as a final tribunal. One of the criticisms offered by this government and by the other provincial governments of the Board of Transport Commissioners was that the Board was bound absolutely by the terms of the Railway Act and by its own previous judgments. In the decision of March 30, and in many previous decisions, the Board of Transport Commissioners admitted this. That being the view of the Board of Transport Commissioners, the seven provinces felt that any further general inquiry made by that Board would be restricted in scope, and would not serve any useful purpose.

It was for that reason that we felt that the broad aspects of the problem should be attacked by a new body not bound by the precedents of the Board of Transport Commissioners, nor indeed bound by the provisions of the Railway Act. Here I express my agreement with the view expressed by the Premier of Alberta when he appeared before this Commission a few weeks ago, and I adopt as my own the language that he used on page 1930 of the evidence before this Commission. He said in part:

"It is our view that the Commission should embark

upon its investigation looking to the reconstruction of the freight rate structure from a completely fresh viewpoint as if it were the fact that no regulatory legislation or tribunal existed".

"Transportation policy should not necessarily accept conditions as they are, but should be designed to ensure an essential equality of conditions for economic enterprise in so far as man-made conditions are concerned."

I submit, Mr. Chairman and gentlemen of the Commission, that is a task beyond the scope of the powers given to the Board of Transport Commissioners - on the admission of that Board itself. It is a task which can only be successfully approached by a Commission such as this with broad powers and fresh outlook. It is my confident hope that this Royal Commission will prove equal to its vast responsibility and to its opportunity to perform a great service to the people of Canada. Thank you very much.

THE CHAIRMAN: Mr. Premier, on behalf of my colleagues, as well as myself, I thank you for your very kind words of welcome to us today. They will serve as encouragement in the pursuit of our inquiry in Halifax. We also thank you and your government for having placed at our disposal this very fine hall in which to meet and to conduct our work.

We realize, as you have said, that we are not the first royal commission which ^{had} to deal with the matter of transportation. You expressed the hope that we might be the last. I cannot say as to that, but as I see the way in

which my two colleagues and our counsel devote themselves to the labours involved, I am afraid it may be the end of the Commissioners. In any event, I think I can assure you that nothing will be neglected, in so far as our capacity lies, in dealing with the various problems that have been submitted to us.

As far as any controversial matters are concerned - and you have raised a very important one this morning - I am sure you will understand, Mr. Premier, that the time has not yet arrived for us as Commissioners to deal with the subject mentioned in one way or the other. The time of course will come, and when it does come we will endeavour to deal with it.

As a result of the representations which were made by the Premiers of seven of our provinces, and of whom you, Mr. Premier, were the spokesman, this Commission of three had committed to it what I consider to be the broadest kind of mandate. As you know, by the terms of the Order in Council, after reciting that the reason for the setting up of this Commission is the fact that representations were made to the Dominion Government that, by reason of economic, geographic and other disadvantages, certain sections of Canada are adversely affected by transportation difficulties and by certain anomalies which are said to be found in the existing tariffs of tolls and rates, then the Order in Council goes on to say, to expand, as it would seem, the scope of the immediate demand for an inquiry by instructing us to investigate and to report upon all questions of economic policy within the jurisdiction of parliament arising out of the operation and maintenance of national

transportation. That, of course, is a very broad commitment, and as we proceed from place to place we realize ourselves, I may say, the immenseness of the problem which has been presented to us. We intend to do the best we can to offer a solution to it. It does appear that as time passes conditions change. The conditions of the past that you have mentioned have contributed something to the structure of today, and it is our duty to make our contribution as we go through in our generation. We are very glad to have the assistance of yourself and the Premiers of so many of the other provinces. It lends validity, I may say, to the studies we are carrying on. It stresses the importance of them, and it is an encouragement to us, and to all those who work with us, in the pursuit of our objectives. Once more we thank you.

MR. SPENCE: Mr. Chairman, I wonder if Premier Macdonald would have any objection to answering two or three very brief questions.

THE CHAIRMAN: We will have to leave it to him.

CROSS-EXAMINATION BY MR. SPENCE

Q I take it, Mr. Premier, that while you and the railways may have had some differences of opinion at times, you would agree that one of the prime requisites of the Maritime Provinces, as well as the rest of Canada, is an efficient and economical transportation industry?

A Well, I should certainly say that an efficient railway industry is essential to this part of Canada as well as to all other parts.

Q Yes, and you would agree also that one of the

functions of the Commission before which we are appearing today is to investigate present conditions, particularly in relation to the transportation industry, and to make recommendations as to how that industry can best serve this country?

A I think that is a fair statement.

Q At pages 2 and 3 of the notes of your remarks that your secretary was kind enough to let me have, you make reference to the outline of submissions of the Canadian Pacific, and at the bottom of page 2 you say:

"The submission then goes on to state that regulation must not be carried too far, and above all the problem must not be allowed to become 'hedged about with political controversy and subject to political solutions.'"

I should like to read the precise wording of the paragraphs from which you have taken extracts. They are paragraphs 5 and 6 which you will find on page 2.

THE CHAIRMAN: Paragraphs 5 and 6?

MR. SPENCE: Paragraphs 5 and 6 on page 2 of the outline of submissions of the Canadian Pacific. Paragraph 5 reads:

"Regulation of public utilities, including railway utilities, is necessary. At the same time, in the submission of this company, regulation should neither be sought for its own sake nor should it be carried to the point of oppression."

Paragraph 6 reads:

"If regulation is carried too far and, above all, if the problem is allowed to become one hedged

about with political controversy and subject to political solutions, private enterprise cannot perform its function and must inevitably give way to a socialization of the enterprise."

Page 3285 follows

Am I to understand from your remarks, Mr. Premier, that you disagree with the principles stated in this paragraph?

A. Your suggestion, I take it, is that matters of this kind should be dealt with entirely by the Board of Transport Commissioners, and that their decision should be final. I disagree, however, with that view.

Q. The paragraphs I have read, five and six, are very general statements of principle, not relating to the details; and, of course, it is merely an outline of the submission which we intend to make in the future, in much greater detail. For example, I suggest that we are in complete agreement on the principles enunciated in paragraph five, that regulation of public utilities is necessary. You have already agreed to that, in your remarks.

A. Yes.

Q. And at the same time: that regulation should neither be sought for its own sake nor should it be carried to the point of oppression?

A. I think everybody would agree with that.

Q. Paragraph 6:

"If regulation is carried too far and, above all, if the problem is allowed to become one hedged about with political controversy and subject to political solutions, private enterprise cannot perform its function and must inevitably give way to a socialization of the enterprise."

That is a general statement. Is it not one with which you would agree?

A. You are entering into the field of political science and philosophy there, and I would not agree, necessarily, that because a thing is a political solution it is, therefore, bad. I have had some little to do with politics, and I must defend my own profession.

Q. Quite so. I merely wish to find out just what you intended to say in that sentence in your brief, because you do not comment, really, on those paragraphs five and six, specifically referred to.

Now, on page 3 of your notes, you say:

"Then the C.P.R. submission paragraph 7 page 2 makes what I consider to be an indirect attack on this Commission itself."

I take it, Mr. Premier, that you have given some study to the entire outline submission of the Canadian Pacific, not only in these general paragraphs, but in elaboration of them in the subsequent paragraphs of the outline?

A. Yes.

Q. Now, it might be helpful if we read, not only the whole of paragraph 7, but also paragraphs 75 to 79, which relate to the same subject matter.

Paragraph 7, on page 2 of the Canadian Pacific outline, reads as follows:

"It is equally important to recognize that regulation should be performed by a tribunal administrative in character but wise and judicial in its decisions, free from the stultifying effect of having its decisions subject to review and appeal by a political tribunal. Parliament has of course the power to legislate when legislation becomes necessary but it is, in the view of the Canadian

Pacific, extremely important that neither Parliament nor the Governor in Council should provide the arenas in which questions primarily for the administrative tribunal are argued and disposed of."

In paragraphs 75 to 79, which begin at the bottom of page 23 of the outline brief, paragraph 75 reads:

"Canadian Pacific is a public service corporation and recognizes that regulation of such corporations within proper limits is in the national interest. The proper limits of regulation are a matter of fine balance between necessary protection of the public interest and undue interference in functions of management. The trend should be towards less rather than more regulation of railways, because of the increasing strength of other media of transport competing with the railway industry."

"76. If regulation is to be equitable and effective it must be impartial and certain and in cases of dispute, definitive, within a reasonable time. Otherwise regulation becomes oppression to the detriment of the service performed for the public by the regulated industry.

"77. The Board of Transport Commissioners as an administrative and semi-judicial tribunal must at all times be able to render its decisions free from political influences. Unless this is the case the Board will not have the confidence of the public and of the railways which is so necessary to it in the performance of its important functions under the Railway Act. Anything which destroys such

confidence and the stature of the Board is a dis-service to Canada.

"78. Appeals from the Board should be limited to those involving questions of law and jurisdiction and should be made only to the Supreme Court of Canada. Appeals to political tribunals have a stultifying effect upon the Board and upon the impartial and judicial exercise of its powers.

"79. Canadian Pacific submits that appeals from the Board to the Governor in Council should be abolished and that a recommendation should be made to amend the Railway Act by deleting Section 52(1)."

In view of that, would it not be fair to say that you may, perhaps, have misconstrued the words I have read, as being an attack on this Commission?

A. I do not think so, Mr. Spence. Your submission is that the Board of Transport Commissioners should have the final say in all matters except those of law. If so, your theory, if your theory were followed, then we would never have such a Commission as we have today, nor would we ever have an appeal to the Governor in Council, except in matters of law.

Q. You are not suggesting that this hearing is an appeal from the Board of Transport Commissioners?

A. Perhaps my use of the word "appeal" is technically wrong; but there should be some recourse beyond the Board of Transport Commissioners. What you are saying is that the Board of Transport Commissioners should have the final word in all these matters, except such as involve law. That would limit recourse to a very small field. I submit that if your view prevailed,

we would never have this Royal Commission which, although it is a political tribunal, in a sense, in that it was appointed, yet, it is not a political tribunal in any partisan sense, and was created after representations had been submitted by the several ~~na~~ provinces to the Dominion Government.

Q. You are not suggesting that we are asking for an amendment to the Inquiries Act?

A. I am looking at what would be the effect, in this country, on this matter, if your views prevailed. If your views prevailed, we would have no royal commission because you would wipe out appeals to the Supreme Court of Canada except on questions of law. Therefore, the ruling of the Board of Transport Commissioners would always be final. I disagree with that suggestion.

Q. I suggest to you that there is nothing in the words which I have read which would indicate a suggestion by us that the Royal Commission should be disposed of or done away with. You will bear in mind that the outline is merely a proposal of what the railway will submit more fully at a later date. We say that the power of the Governor in Council to vary or rescind orders of the Board of Transport Commissioners, by appeals under the Railway Act should be abolished, and no reference is made in this section or paragraph to the Royal Commission.

A. But you refer, in your paragraph 7, and you use these words:

" . . . but it is, in the view of the Canadian Pacific, extremely important that neither Parliament nor the Governor in Council should provide the arenas in which questions primarily for the

administrative tribunal are argued and disposed of." I interpret those words to mean a reference to this Commission, because the Governor in Council, you say, "should provide the arenas." This Commission is an arena where certain matters are to be disposed of, as I understand your words, and you are objecting to that procedure. So I disagree with you. I do not know any other meaning to give to the words of paragraph 7. This is a forum or arena provided by the Governor in Council; and you object to such an arena or forum. Therefore I disagree with you.

Q. Neither Parliament nor the Governor in Council should provide the arenas. Now, this arena is not the Parliament, and it is not the Governor in Council?

A. It is an arena or board provided by parliament or provided by the Governor in Council.

Q. Quite so.

A. And you object to it.

Q. But the Board of Transport Commissioners --

A. But you would give the Board of Transport Commissioners certain definite and complete powers. This Commission makes recommendations to the Government, which is a totally different thing.

Q. At any rate, those are your views?

A. Quite definitely my views.

Q. There is, in any event, a suggestion in your remarks that we have not felt that full co-operation with the Commission was desirable. But I suggest to you that the position of the Canadian Pacific in regard to this Commission has been most clearly expressed by the Chairman of the Canadian Pacific, Mr. G.A.Walker.

A. You would like me to say -- I do not suggest in the slightest that you are objecting to the personnel of this Commission or to their ability or to their integrity. I think you are setting forth a principle of political science here with which I do not agree. That is all. I think, no doubt, you have the fullest confidence, as I have, in these people, but you are objecting to a fundamental principle on which these things are worked; and I regard that principle as necessary in this country, while you, apparently, do not. That, I think, is the difference; and we could argue about it all day, no doubt. But your views on the political science aspects of it might not be mine. I am not suggesting for one minute that you are objecting to the personalities involved.

Q. No, certainly not; and I might repeat that this is only an outline submission, and that there will be much greater elaboration of this matter with which you may or may not agree.

A. And again, at Ottawa, you may be hearing from us further.

Q. I have no further questions to ask the Premier, but I would like to refer the Commission to the statement in the lower part of page 5 of the Premier's remarks to the effect that the fundamental aspects of the Board's findings in the 21% case have never been defended adequately by the railway companies.

There is, of course, available to the Commission the transcript of the proceedings in the later application to the Board in the 20% case, in the course of which the 21% judgment was most fully reviewed, and the

findings therein were entirely supported by the facts and the arguments. I thank you very much.

MR. SMITH: Mr. Chairman and members of the Commission, I appear for the Government of the Province of Nova Scotia.

THE CHAIRMAN: You are Mr. Smith?

MR. SMITH: Yes, Mr. Smith. The Province of Nova Scotia, as you are aware, sent in an outline or memorandum of submissions to be made by it to the Commission, as well as a supplement thereto, stating, in general terms, the position which we intend to take with respect to the matters mentioned in the outline.

As has been done at other sittings of the Commission, I respectfully suggest that the outline of submissions be now taken as read into the record, if that meets with your approval, Mr. Chairman.

The Province, in due course, will file its brief within the time limit; and I wish to express the thanks of the Province for the extension of time which has been granted by the Commission for this purpose.

Mr. Rand Matheson, Transportation Manager of the Transportation Commission of the Maritime Board of Trade, will present a very full and well documented submission at this sitting. It is hoped that this will result in a shortening, very materially, of the brief which the Province will file. But I desire to make it plain that the Transportation Commission does not speak for the Province of Nova Scotia. Nevertheless it will be our aim and our endeavour that the petitions contained in the brief of the province will not be unduly repetitious. We shall endeavour to try to avoid a

duplication, in so far as it will be compatible with what we conceive to be the interests of the Province.

The Province may, therefore, find that it can, with advantage, and without repetition, base some of its submissions to the Commission upon the submissions and the information which will be found in the brief of the Transportation Commission; and that it may also join in support of some of the contentions in what, I may say with respect, I regard as an excellent brief on the part of the Transportation Commission. Mr. Chairman and gentlemen, I do not propose at this time to make any further statement on behalf of the Province.

THE CHAIRMAN: Mr. Smith, what are your initials, please?

MR. SMITH: F. D.

THE CHAIRMAN: Well, Mr. Covert, what have you to say about this?

MR. COVERT: Mr. Chairman, we do not propose to read them into the record but rather, to take them as read. That would dispose of the outline of submissions dated April 28, 1949, and the supplementary one, dated May 14, 1949.

THE CHAIRMAN: They are to be put into the record as read?

MR. COVERT: Yes, Mr. Chairman.

Outline of submissions to be made to the Royal Commission on Transportation by the Government of The Province of Nova Scotia.

The Government of the Province of Nova Scotia intends to make submissions to the Royal Commission with respect to the following matters:

A. A general review of the transportation problem in Canada and the principles which should be followed in seeking a solution of that problem. In this connection reference will be made to the various forms of transportation services, including rail, highway, water and air.

B. A general review of the transportation problem relating to Nova Scotia, having regard to the handicaps imposed on our economic life by the transportation policies in Canada, including, without limiting the generality of the foregoing, the following matters:

1. The history of the development of rail transportation in Nova Scotia.
2. The Maritime Freight Rates Act.
3. The existing freight rate structure.
4. The effect of the existing freight rate structure on business and industry in Nova Scotia.
5. The incidence of horizontal percentage increases and their effect on the economy of the Province of Nova Scotia.
6. The relationship between railways, bus, truck and air transportation in Nova Scotia.
7. Sundry matters e.g., the destroyed differentials in respect of Canadian export and import

rates between Nova Scotia and St. Lawrence ports brought about by the influence of rate increases in the United States; the encouragement and development of Nova Scotia ports; combination rates; international rates; routings and competitive rates.

C. Certain amendments will be suggested to the Railway Act in order to give effect to recommendations to be made in the province's submission.

D. Suggestions will be made for the downward revision of the capital structure of the Canadian National Railway Company and/or the Canadian National Railways. As it is anticipated that the Canadian National Railway Company will itself submit to the Royal Commission a proposal in this connection, the Province will, if deemed requisite, make further submissions in this regard, after it has had an opportunity of considering the proposal of the Company.

E. The Province will urge that the provisions of The Canadian National - Canadian Pacific Act, 1933 and amendments thereto be implemented.

F. It will be submitted that uniform accounting practice for all railroads should be required and that the necessary legislation should be enacted for such purpose. It will also be suggested that uniform accounting practice for other forms of transportation should be established by the appropriate authorities.

G. Suggestions will be made for the adoption of measures designed to alleviate the economic, geographic and other disadvantages of Nova Scotia in relation to transportation.

H. The Province will contend that financial assistance from the Dominion Treasury is required as a part of the solution of the transportation problem.

I. The effect of national policies involving tariff, export control, foreign exchange control and related matters on the transportation problem will be discussed.

F. D. SMITH

Of Counsel for the Government of
the Province of Nova Scotia.

April 28, 1949.

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Supplement to the Outline dated the 28th day of April, 1949 of submissions to be made to the Royal Commission on Transportation by the Government of the Province of Nova Scotia.

By way of supplement to the said Outline, the Government of the Province of Nova Scotia hereby states, in general terms, the position which it intends to take with respect to the matters mentioned therein.

A. As at present advised, it is not proposed to make specific recommendations in respect of the matters referred to in Paragraph A of the said Outline of Submissions.

B. The general nature of the recommendations to be made in respect of the matters referred to in Paragraph B of the said Outline appear in general form in Paragraph G hereof.

C. The position of the Province with regard to the amendments suggested to the Railway Act is stated in Paragraph G hereof.

D. Downward revision of the capital structure of

the Canadian National Railway Company and/or Canadian National Railways will be suggested. The Provinces will be in a position to make more specific recommendations in this regard after the proposal of the Canadian National Railway Company has been submitted and considered.

E. Implementation of the provisions of The Canadian National - Canadian Pacific Act 1933 and amendments will be urged. Until the present position of the Railway Companies in respect of implementation of the Act and their intentions with regard thereto are made known, full and complete recommendations cannot be made.

F. Uniform accounting practice, as mentioned in Paragraph F of the said Outline, will be suggested.

G. The Province will contend that the following measures to alleviate the economic, geographic and other disadvantages of Nova Scotia in relation to transportation should be adopted:

1. As the statutory advantages in freight rates to persons and industries in the Province of Nova Scotia, which it was the purpose of the Maritime Freight Rates Act to give, have been destroyed or prejudicially affected, it is essential -

- (a) that the freight rate differentials in favour of the Province of Nova Scotia provided for by the Maritime Freight Rates Act are inadequate and should be increased and

- (b) that such differentials should be extended so as to apply to the whole movement

of any traffic originating in the Province of Nova Scotia and moving outward to a point of destination beyond Diamond Junction or Levis.

2. It will urge that there should be a reduction in freight rates on goods, materials and commodities to be processed in Nova Scotia or to be used in the manufacture of products there, shipped into Nova Scotia from points outside the "select territory" as defined in the Maritime Freight Rates Act.

3. It will also contend that import and export rates from and to Nova Scotia ports should be maintained at such a level as to cause an adequate volume of Canadian import and export trade to flow through Nova Scotia ports.

4. It will also contend that horizontal or flat percentage increases in freight rates should not be made in respect of long haul traffic moving to or from the Province of Nova Scotia.

H. It will be suggested that the adoption of the measures referred to in Paragraph G hereof will necessitate the furnishing of financial assistance from the Dominion Treasury.

I. As at present advised, it is not proposed to make specific recommendations in respect of the matters referred to in Paragraph I of the said Outline.

F. D. SMITH

Of Counsel for the Government
of the Province of Nova Scotia.

May 14, 1949.

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THE CHAIRMAN: We shall now proceed with what?

MR. O'DONNELL: We shall reserve any questions we might have until they produce a witness to support it.

MR. COVERT: I understood that Mr. Sinclair wanted to put in an exhibit which was promised to us in Vancouver.

MR. SINCLAIR: Mr. Chairman, at volume 16 of the record, pages 2927 and 2928, a reference was made by Mr. Bolton, appearing for the paper converters, to an address made by Mr. P. C. Armstrong at Niagara Falls, Ontario, on the 5th of May, 1949. My learned friend Mr. Frawley was most anxious that this address be made a part of the record. I would now submit it as Exhibit 44, and copies of it have been given to the Secretary and to Counsel.

EXHIBIT NO. 44 -- Filed by Mr. Sinclair.
Copy of address of Mr.
P. C. Armstrong given
at Niagara Falls, Ontario,
May 5, 1949.

MR. COVERT: Mr. Chairman, the next submission is that of the Louisburg Board of Trade. Is there anyone present representing the Louisburg Board of Trade? If not, Mr. Chairman, I suggest again that it be put into the record as read, in the same manner as the brief of the Quesnel Board of Trade. Is there any objection to that?

MR. O'DONNELL: No. We might have to make a statement concerning the matter.

THE CHAIRMAN: Do you want to make your statement now?

MR. O'DONNELL: No. I think we can make it later and put it in later, to save time.

Draft of Brief from the Executive of the
Louisburg Board of Trade to the Royal Commission on
Transportation under P. C. 6033.

The Executive of the Louisburg Board of Trade
after careful consideration has come to the conclusion
that the Port of Louisburg is placed at a disadvantage
due to the present rate structure and its geographic
position in relation to the Railways.

For a number of years it has been impossible
to progress the Port of Louisburg, although it is
the only winter port in Cape Breton, this has a retarding
effect on the whole Island due to the importance of
water bourne traffic.

When the I.C.R. was built it followed a
northerly route to Sydney, then the Sydney and Louisburg
Railway was built from Sydney through the coal area to
Louisburg, a distance of thirty-nine (39) miles. Later
the I.C.R. routed their rail line through North Sydney
thus extending the distance from the Strait of Canso to
Sydney by some ten miles. Some years later a survey was
made of the southern route (Strait of Canso to
Louisburg) this survey showed the distance from the
Strait to Louisburg to be eighty-seven (87) miles,
thirty-two miles of this survey was built to St.
Peter's, while the balance of the distance some fifty-
five (55) miles was never built. The present route to
Louisburg is over one hundred and forty (140) miles,
giving the Port of Louisburg a run around of fifty (50)
miles or one hundred (100) miles return, and we feel that
the area along the Eastern coast of Cape Breton from Little
Bras D'Or to Louisburg should be made one zone with one

freight rate for incoming and outgoing traffic in this area.

This zoning system would enable fishermen moving along the coast in this area to load their catch at the most suitable point, and shipping coming on this coast could use the Port of Louisburg without added costs, delays and damage due to ice conditions.

When the Maritime Freight Rates Act came into effect, it was felt that the Port of Louisburg in the Federal Constituency of Cape Breton West-Richmond, would be kept open as a shipping port, and that the Act would be of assistance in moving steel through the port, this was not the case, but, we understand that steel is shipped through the ports of Halifax and St. John at a very low freight rate, with the result that the port of Louisburg is practically closed out to steel shipments.

We would respectfully recommend to your Commission that a special study be made of this condition, in order that the Port of Louisburg (one of the three of Canada's important, open Atlantic seaports outside of Newfoundland) may be given a chance to progress in the future by receiving its just share of waterbourne traffic, unimpeded by what appears to be an unfavourable location brought about by the present circuitous route followed by the railways on this Island and their lack of a freight rate zoning system, and thus it (Louisburg) could be placed in a position where it would be given an opportunity to make its contribution to the economic life of our Dominion, and now with the new province of Newfoundland added to the Confederation, it becomes all the more important that the Port of Louisburg be considered in view of the fact that it is open all the year round and is the only port on this Island where the Newfoundland traffic can be handled when ice conditions make the ports of Sydney and North Sydney inaccessible to the C.N.R. ferry service.

MR. COVERT: Then, Mr. Chairman, the next brief will be that of the Furness Red Cross Line, the Furness-Warren Line and Newfoundland Canada Steamships Limited, and it will be read by Mr. G. McL. Daley.

G. McL. DALEY, called

THE WITNESS: Mr. Chairman and gentlemen, I have been asked by Furness Red Cross Line and Furness-Warren Line of London, through their Agent, Furness Withy & Company Limited of Montreal, and Newfoundland Canada Steamships Limited of this city (all of which are hereinafter referred to as "the Steamship Companies") to present this brief to this honourable Commission, and in doing so it is my purpose to outline certain difficulties with which the Steamship Companies have been confronted as a result of the terms of the Confederation and to suggest remedies which should be applied in order to place them in a fair competitive position.

At the outset may I state that all of my clients have been engaged in the steamship business between Canadian and Newfoundland ports for many years. The Red Cross Line and its successor the Furness Red Cross Line has been in the Newfoundland trade for seventy years and while the other Steamship Companies have not served Newfoundland for so long a period, nevertheless all have established firm connections with the Ancient Colony and have operated the most efficient service which the traffic warranted at the lowest possible rates, under the circumstances existing from time to time.

(Page 3300 follows)

Generally speaking the routes served by my clients are as follows:- in summertime, - (a) Montreal-St. John's; (b) Montreal-Charlottetown-St. John's; (c) Montreal-St. Pierre-St. John's; (d) Halifax-Charlottetown-St. Pierre-St. John's; (e) Halifax-Corner Brook -St. John's; and all-year-round,- (a) New York-Halifax-St. John's; (b) Boston-Halifax-St. John's; (c) New York-Saint John-Halifax-St. John's; (d) Halifax-St. John's; Not all of my clients serve all of these routes, but some of them serve one or more at all times when ice and weather conditions will permit.

With Newfoundland becoming part of the Canadian Federation, a new and serious situation has arisen which threatens the existence of the Steamship Companies and also bids fair to almost completely eliminate the Port of Halifax as one of the Ports through which Canadian traffic has heretofore moved to Newfoundland.

At this point, Mr. Chairman, I may say that at the time this brief was written and filed with the Commission, namely, on the 15th day of June, 1949, there had been no proportionate rate agreement between the Associated Newfoundland Lines and the Canadian National Railways. I will mention that at a later date. It will have some effect on what I say in this brief, and I may have to ask leave to file a supplementary brief in the event of such an agreement being made. If an agreement which is now being negotiated with the Canadian National Railways is completed it will alleviate to some extent the situation in the Port of Halifax but will

by no means clear up the difficulties which these --

THE CHAIRMAN: Q. The agreement is between whom?

A. The Canadian National Railways and what is known as the Associated Newfoundland Lines, which consist of the lines which I represent, and in addition Clark Steamship Company Limited of Montreal, who I understand intend to make a similar submission to this Commission in Montreal, and the Blue Peter Steamship Company Limited of St. John's, Newfoundland, who I also understand are in agreement with this submission, although I am not representing them at this time. I assume that they will make a submission when the hearings of this Commission are held in St. John's.

The difficulties with which my clients are now faced have their origin in Section 32, sub-sections 2 and 3 of "The Term of Union between Newfoundland and Canada" which were given effect by an amendment to The Maritime Freight Rates Act passed as part of Bill 12, "The Statute Law Amendment (Newfoundland) Act" Section 13 of which is as follows:-

13. (1) "Subject to this section, the Maritime Freight Rates Act, Chapter Seventy-nine of the Revised Statutes of Canada, 1927, applies mutatis mutandis to all lines of railway in the Island of Newfoundland that are subject to the legislative authority of the Parliament of Canada.

(2) For the purposes of the said Act the lines of railway situated within the Island of Newfoundland, including the steamship services

between Port aux Basques and North Sydney, that are entrusted to the Canadian National Railway Company for management and operation shall from the date of and during the period of such entrustment be deemed to be included in the lines of railway collectively designated as the "Eastern Lines", the Island of Newfoundland shall be deemed to be included in the expression "select territory" and through traffic moving by water between Port aux Basques and North Sydney shall be treated as all rail traffic.

(3) Upon entrustment to Canadian National Railway Company of the lines of railway mentioned in subsection two, Canadian National Railway Company shall forthwith file with the Board of Transport Commissioners for Canada tariffs of tolls applicable to the carriage of traffic within, to and from the Island of Newfoundland and such tariffs, in so far as preferred movements are concerned, shall comply as far as appropriate with the provisions of the said Act.

(4) Notwithstanding the provisions of sections three hundred and thirty, three hundred and thirty-one, three hundred and thirty-four and three hundred and thirty-five of the Railway Act, the tariffs initially filed under subsection three shall be effective from the date of entrustment."

The Canadian National Railway acting under the direction contained in this legislation has filed with the Board of Transport Commissioners for Canada Tariffs applicable to the carriage of traffic within,

to and from the Island of Newfoundland in compliance with the said Act. These tariffs ignore the costs of unloading the cars at North Sydney and there loading the ship for shipment to Port aux Basques and of unloading the ship at Port aux Basques and loading on the cars of the Newfoundland Branch of The Canadian National Railway, all of these costs being disregarded by the railway as directed by the aforesaid Statute.

In addition to disregarding the aforesaid costs, the Canadian National Railway in constructing its rate schedule for Newfoundland has in accordance with the foregoing Enactment applied a reduction of 20% as required by The Maritime Freight Rates Act to all local traffic for shipment to Newfoundland originating by rail within the "select territory", -- that is, all traffic east of Diamond Junction and Levis -- as defined by the Act, and on all traffic originating in Newfoundland for shipment westward to any point in Canada over the "eastern lines" of the Railway.

As a result of the absorption of the Newfoundland Railway by the Canadian National Railway and the application of the Maritime Freight Rates Act amended as aforesaid to Newfoundland, the Canadian National Railway has generally put into effect rates for traffic moving by rail into the new Province which are substantially lower than the combination rates between Canadian National Railway and the Newfoundland Railway which were in effect prior to the Union, when nearly all traffic moving from Canada to Newfoundland was either carried by the Steamship Companies or by the Canadian National and the Newfound-

land Railway via the North Sydney, Port aux Basques gateway.

The Steamship Companies do not for one moment complain of the aforesaid reduction in the rates of the Canadian National Railway. They fully realize that this reduction is brought about by Government policy but its effect is, nonetheless, to put all my clients in the serious position of having to accept ruinous reduction in rates in order to keep competitive.

With respect to traffic moving over the Canadian National Railway, especially from the Port of Halifax, the position of the Steamship Companies is particularly grave.

I may say that what I am reading now was also written before the agreement was negotiated or while it was in the process of negotiation. The agreement has not yet been fully negotiated, and it will alleviate to some extent what I am saying in this paragraph on page 4.

For while the Canadian National Railway has put into effect a proportionate rate on flour, feed, salt and cement, which pass over its lines through Canadian ports via the various shipping companies to Newfoundland, which will permit my clients to handle these four commodities on a fair basis, this proportionate rate is the exception rather than the rule and does not apply to any other commodities moving over the lines of the C.N.R.

That is still the situation, gentlemen, but we hope it will change.

As the situation now stands, the shipper booking

cargo to Corner Brook or to St. John's, Newfoundland via any of the ports of Montreal, Halifax or Saint John, N.B. over the Canadian National Railway must pay a domestic rate to Montreal, Saint John or Halifax as the case may be plus terminal charges. The result is that if cargo is to be carried to Newfoundland on a competitive basis my clients must accept it at a rate equal to the difference between the Canadian National Domestic rate plus terminal charges from the point of origin to Montreal, Saint John, N.B. or Halifax and the Canadian National through rate from the point of origin to St. John's or Corner Brook via North Sydney. To meet this Canadian National Railway competition before referred to, a reduction has had to be made in the rates borne by many commodities which move from the port of Montreal and which originate further west but on certain other commodities, particularly those originating in Montreal, the competitive position makes a somewhat higher rate possible. The net result, however, in the case of cargo moving from Montreal is an overall reduction in the general rate schedule of the Steamship Companies. The situation from Montreal, although serious is not nearly as grave as that in Halifax and Saint John, N.B., where the haul is much longer and consequently the domestic rate is much higher. Moreover, in the case of cargo originating in the "select territory" for shipment to Newfoundland by rail, -- that is, cargo originating in the maritime provinces for shipment to Newfoundland by railway -- the provisions of the Maritime Freight Rates Act apply from the point of origin to the point of destination, but if the shipment

is to be made via the Port of Halifax or Saint John by rail over the "eastern lines" and by water via the ships of my clients, The Maritime Freight Rates Act applies only on the rail haul to the Ports of Halifax and Saint John respectively, and thereafter the movement of cargo does not have the assistance of the Maritime Freight Rates Act as in the case of the Railway, because, at present the latter Act does not apply to the carriage of goods by sea.

As matters now stand in the case of Saint John and Halifax it is well nigh impossible for the Steamship Companies to meet the competition of the Canadian National Railway and operate at other than a loss except perhaps in the case of a very limited amount of local cargo originating in the cities of Halifax and Saint John, N.B. themselves. Even in the case of commodities moving from within a radius of fifty or sixty miles of Halifax or Saint John to St. John's or Corner Brook, Newfoundland, the application of The Maritime Freight Rates Act to the all rail haul makes it almost impossible for the steamship companies to compete. To inland points on the Newfoundland Railway it is absolutely impossible to compete.

Fortunately some measure of relief has been obtained because the Steamship Companies have been able to make -- and I hope, as I say, that this will extend to the C.N.R., to the Ports of Halifax and Saint John -- an arrangement with the C.P.R., whereby that Company has agreed in collaboration with them to establish rates divided proportionately between the railway and the Steamship Companies from all

points in Canada served by the C.P.R. to Corner Brook and St. John's when shipped from Canada via the Ports of Montreal and Saint John. These rates will be competitive with but not lower than the total all rail rate of the Canadian National Railway and will give the Steamship Companies a fair share of the revenue, but they will not ease the very critical situation with which my clients are faced at Halifax, as the latter Port is not served by the lines of the C.P.R. and as a result all of the Steamship Companies which have heretofore used the Port of Halifax exclusively as a Winter Port will be forced to make Saint John their Main Winter Port using Halifax only as a Port of call for local cargo.

That situation, again, will be subject to change if we are able to negotiate this proportionate agreement with the Canadian National Railways.

To further add to the troubles of my clientw and in order to save complications and to permit these Lines to compete with the Canadian National Railway which issues an Insured Bill of Lading, the Steamship Companies have been compelled on behalf of all cargo-owners to insure cargo moving by sea against loss, except war, strikes, riots, insurrection and civil commotion, and to absorb the high cost of the premiums in the general rate structure.

That premium, I may say, on an average cargo goes anywhere from \$500 to \$1,000 , and when you consider that very often a ship does not make that profit before these rates were put into effect, before the lower rates of the C.N.R. were put into effect,

it becomes a serious matter.

This additional cost is a very serious matter for the lines already pressed on the one hand by the continuously rising costs of operation including stevedoring wages and (until quite recently) fuel and on the other hand by the general reduction in the rate structure aforesaid.

The Steamship Companies have the following submissions to make respecting measures which would assist them to compete on a fairer basis with the Canadian National Railway,-

(a) That the Maritime Freight Rates Act be made to apply to water shipments or rail and water shipments combined from points in the Maritime Provinces and Quebec, to which the said Act now applies, in the case of Railways and to water shipments or rail and water shipments combined from Newfoundland to points westward in Canada, such shipments to be made on ships which comply with the Government Regulations as to manifesting etc. and carry cargo on Insured Bills of Lading.

It is submitted that there is no valid reason why this act should not be made to so apply. It may be argued that if the Maritime Freight Rates Act were amended to apply to shipment by water between points in the Maritime Provinces and Newfoundland that similar requests would be made for the application of this Act to water shipments between other points in the Maritime Provinces. The answer to this argument is that the Maritime Freight Rates Act should be applied to shipments by water to, from and within Newfoundland, because the situation of Newfoundland is entirely different from

that of any of the other Maritime Provinces. All the Maritime Provinces (with the exception of Newfoundland) can be reached by direct rail and by fine roads but Newfoundland is an island so far removed from the mainland that it is presently impossible to load railway cars on ferries and transport them from any point on the mainland to Newfoundland. Furthermore, a larger proportion of the population of Newfoundland (far greater than that of any other Maritime Province) resides on small inlets and harbours by the sea which are not served by any means of transportation other than the water, and if these districts are to have the benefit of low freight rates the only possible way of obtaining that benefit is by the application of The Maritime Freight Rates Act to the carriage of goods by sea. This principle has already been recognized by the Parliament of Canada in amending The Maritime Freight Rates Act so as to absorb the costs of loading and discharging in crossing the lower Gulf and furthermore this Act has been applied for years to shipments by water from Tormentine to Borden.

THE CHAIRMAN: Q. . Pardon me; you refer to an amendment to the Maritime Freight Rates Act; what is the year of that amendment?

A. This past session of the Legislature.

Q. You mean the Newfoundland Legislature?

A. Yes, that is what I am referring to.

MR. O'DONNELL: The amendment provided by Bill 12.

THE WITNESS: Yes, Bill 12, at the last session of Parliament.

It is submitted that since it is proper for the government to apply the Act to these shipping routes, so also it is proper to apply the benefits of The Maritime Freight Rates Act to shipments by water or by rail and water via ports between the Maritime Provinces of Canada including Newfoundland.

(b) As it has already been pointed out, one of the factors which has enabled The Canadian National Railway to establish its present rate structure between points in Canada and Newfoundland is the treatment by that Railroad of that portion of the haul between North Sydney and Port aux Basques as all-rail traffic, whereas in reality, a shipment by water of ninety miles is involved, and the costs of unloading the cars and loading the ship at North Sydney and reversing the process at Port aux Basques must be borne by the Railway. While it has been impossible for my clients to ascertain the exact costs per ton of handling cargo at North Sydney and Port aux Basques, based on their own costs and making allowance for a smaller wage scale at North Sydney and Port aux Basques, they are convinced that the costs cannot be less than somewhere between \$3.75 and \$4.50 per ton. Inasmuch as the Government has required the Railway to disregard these costs under the provisions of The Maritime Freight Rates Act it is assumed that the Government will make compensation, and if not then the costs will be absorbed in any loss which the Railway may suffer on its operations which will have to be made good from the public treasury.

As a matter of fact, there is provision for that under The Maritimes Freight Rates Act itself. The

way in which it is to be handled is an accounting proposition.

If private enterprise is to compete with this subsidized service (for such indeed it is) then surely the Steamship Companies should also be subsidized by the Government assuming a portion of their costs for loading and discharging cargo received by them from the Railway at the Ports of Montreal, Halifax and Saint John.

It is submitted that the Government should pay a subsidy to the Shipping Companies of \$2.50 per ton to assist in paying stevedoring costs at Montreal, Halifax and Saint John on all cargo received by them from the Canadian National or the Canadian Pacific Railways, paid on the basis of tonnage delivered by the Railway to the Shipping Companies respectively

We are not asking for it on cargo received in the ports of Halifax, or in the ports of Montreal, or in the ports of Saint John, but only on cargo received from the railways.

Such a payment would help the Newfoundland Steamship Lines to meet the competition of the all rail rate, by Government aid in absorbing a small part of the costs of the loading and discharging operation. Surely such a request is reasonable, since the whole of these costs at North Sydney and Port aux Basques are paid from the Public treasury.

All of which is respectfully submitted on behalf of the Steamship Companies.

Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Covert.

EXAMINED BY MR. COVERT:

Q. Mr. Daley, you are prepared to answer questions on this?

A. Well, to the extent of my ability. I have Mr. Williams here, and if there is anything technical I would far rather that he would answer the questions.

MR. COVERT: I think we should follow the same policy as we did with the provincial counsel.

MR. FRAWLEY: Well, in this case I would ask a little indulgence, my lord. I have just now seen it, just for the first time, reading it while Mr. Daley was reading it, and I would like very much to be allowed to follow railway counsel.

MR. O'DONNELL: Well, we are all more or less in the same position, I think, in this particular case.

MR. FRAWLEY: You are much more familiar than I am with this question.

MR. O'DONNELL: I would not agree with that for a minute.

THE CHAIRMAN: All right, Mr. O'Donnell.

MR. O'DONNELL: It does not matter much who starts.

MR. DALEY: Well, I will do the best I can, Mr. Chairman.

THE CHAIRMAN: You have somebody here who can answer technical questions?

MR. DALEY: I think Mr. Williams had better answer the questions.

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J. L. WILLIAMS, called.

MR. O'DONNELL: I have just a few questions, Mr. Chairman. We have had very little opportunity to examine and study this brief.

Mr. Williams, I take it that the effect of the arrangements concerning transportation between the mainland and Newfoundland as a result of Confederation is that the Newfoundland consumer is getting a lower cost of transportation now than he had before Confederation on shipments to Newfoundland; isn't that the situation?

MR. WILLIAMS: Yes, sir.

MR. O'DONNELL: In the end result ?

MR. WILLIAMS: I would say that the rates are lower.

MR. O'DONNELL: And the rates as established by the Confederation pact and as provided for by Bill 12 are such that the steamship companies find it difficult to continue competing at the same profit, possibly, they made prior to Confederation?

MR. WILLIAMS: On the basis of the same through rates, yes.

MR. O'DONNELL: In other words, the through rates as established by Bill 12 and the tariffs filed in compliance therewith are too low, in the view of the steamship companies?

THE CHAIRMAN: That is right, is it ?

MR. WILLIAMS: Well, I would not say they are too low; I would say that what is left for the steamship companies after the rail haul is taken out of it

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is not sufficient.

THE CHAIRMAN: What did you say? Will you please speak up so that we can hear you?

MR. WILLIAMS: I would not say the through rate is too low. I would say that the proportion left for the steamship companies after the domestic rate plus the terminals is taken out of it, is insufficient for the steamship companies, in order to be competitive with the railway companies.

MR. O'DONNELL: In the end result, in any event, I understand, at the present time the Newfoundland consumer is getting his merchandise landed in Newfoundland on much more favourable terms than he did before Confederation?

MR. WILLIAMS: Yes, it would look that way.

MR. O'DONNELL: And you would like in the circumstances to see something done whereby the steamship companies could continue to get the rates they got prior to Confederation?

MR. WILLIAMS: Well, I don't know just exactly whether it is that, but I would say that we would need some assistance to help to give us sufficient to cover our costs and allow us to make a reasonable profit on the haul.

MR. O'DONNELL: What was the reasonable profit percentagewise prior to Confederation? Will you tell the Commissioners that?

MR. WILLIAMS: I don't think I could answer that question without -- I would say perhaps five or six per cent, perhaps six.

MR. O'DONNELL: And the result of Confederation

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is that you are not able to make that profit, and you would like to see the rates raised so that you could, or some arrangement whereby you would be kept in business through a subsidy to the steamship companies?

MR. WILLIAMS: That is right. We are not asking for an increase of rates.

THE CHAIRMAN: I beg your pardon?

MR. WILLIAMS: We are not asking to see the rates increased.

THE CHAIRMAN: You are not asking to see the rates increased?

MR. WILLIAMS: No.

THE CHAIRMAN: You are asking for some other form of decision; is that it?

MR. WILLIAMS: Yes.

MR. O'DONNELL: If the service that is being provided by the Canadian National Railways and the operation that it conducts is adequate to land the merchandise in Newfoundland at the lower rate, isn't that all that is needed?

MR. WILLIAMS: Well, that is not a question that I could answer. We do not know what the costs are

MR. O'DONNELL: I am just trying to find out what economic justification there would be for keeping a more costly service operating if the services provided by the statute and the arrangements which flow from it are adequate to take care of the shipments.

MR. WILLIAMS: I would not say they are adequate, sir .

MR. O'DONNELL: You don't know?

MR. WILLIAMS: No; well, I would not say that

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they are adequate, from what I have seen.

MR. O'DONNELL: But you don't know?

MR. WILLIAMS: They are not handling very much of it.

MR. O'DONNELL: Well, whatever they are handling is being carried at a lower rate than you would handle it?

MR. WILLIAMS: A lower rate than the combined C.N.R. and Newfoundland Railway rate prior to Confederation.

MR. O'DONNELL: **That** is right, is it not ?

MR. WILLIAMS: That is right. We are handling at the same rates.

MR. O'DONNELL: But you find that you cannot make a profit on that basis?

MR. WILLIAMS: That is right.

MR. O'DONNELL: **Now**, the matters set out in your brief were really submitted to Parliament, were they **not**, prior to the enactment of the statute?

MR. WILLIAMS: No.

MR. O'DONNELL: Well, were not representations made by the Halifax steamship companies along the same lines **as** those which have been made this morning to the Commissioners here?

MR. DALEY: Not to Parliament, no.

MR. WILLIAMS: Not to Parliament, no.

MR. O'DONNELL: Well, then, to the Minister who was in charge of the bill, the Honourable Mr. Chevrier, the Minister of Transport?

MR. WILLIAMS: No, they were not officially made to anybody.

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MR. DALEY: Perhaps I had better answer some of these questions; I have perhaps a better knowledge.

THE CHAIRMAN: What is it the brief says? The brief seems to say --

MR. DALEY: There were no representations as far as I know.

THE CHAIRMAN: "The Steamship Companies do not for one moment complain of the aforesaid reduction in the rates of the Canadian National Railway."

MR. DALEY: That is correct, Mr. Chairman. We realize how impossible it would be to take that position.

THE CHAIRMAN: Then you go on to say: "They fully realize that this reduction is brought about by Government policy but its effect is, nonetheless, to put all my clients in the serious position of having to accept ruinous reduction in rates in order to keep competitive".

MR. DALEY: That is exactly the situation.

THE CHAIRMAN: Then you say that the situation may turn out to be not so bad as it looks, on account of a certain projected agreement which is under way.

MR. DALEY: That will be helpful.

THE CHAIRMAN: Now, Mr. O'Donnell, are you bearing all that in mind?

MR. O'DONNELL: Oh, yes, I have that in mind, my lord. I am just speaking on the basis that possibly no agreement would be reached, and I am putting it bluntly to these shippers or shipping companies that the rates as provided for by the Confederation pact are lower than the rates upon which they would like to do business.

(Page 3318 follows)

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THE CHAIRMAN: That is agreed to. That is assumed.

MR. O'DONNELL: Yes. Then I would merely ask --

MR. DALEY: There is one question which Mr. O'Donnell asked Mr. Williams to answer that I should like to refer to. If I remember correctly the question was to this effect. If the Canadian National Railways can take cargo to Newfoundland at a lower rate than the steamship companies, are the steamship companies necessary in the interests of the national economy? I should like to answer that in two or three ways. In the first place I should like to point out that the steamship companies, and particularly the smaller ones --

THE CHAIRMAN: What is that?

MR. DALEY: The Newfoundland-Canada Steamship Line, one of my clients, is one of the smaller of the steamship companies operating to Newfoundland from the port of Halifax, and last year alone in wages they paid somewhere between \$100,000 and \$125,000. I think Furness Withy in their Newfoundland branch paid fully that amount. I assume that the Clark Steamship Company has paid a substantial amount, not quite as much, and the Montreal Shipping Company the same way. That means that there is a large expenditure for wages in the port of Halifax for stevedoring, and also a large expenditure for wages in the port of St. John's, Newfoundland for stevedoring. If the flow of traffic is to be diverted from the natural channels that have heretofore existed for years, Halifax to St. John's, if it is to be diverted to an artificial route, and it is an artificial route because any route that requires to be subsidized to the full extent of the cost

of loading and discharging a ship, and then loading the cars again and discharging the cars in order to compete, is an artificial route compared with the way that the cargo has moved heretofore, and it is my submission that it is not in the national interests that the logical way of sending cargo to an island should be entirely wiped out by artificially assisting a rail route which is not a rail route because there are ninety miles of water which must be bridged.

That is my first point. The second point is a matter about which I have no means of knowing, but this Commission has means of knowing, and I suggest that they should ascertain the cost of taking cargo to Newfoundland via the North Sydney route. I suggest that the cost is substantially more to the government of this country than it would be to sustain the natural route which I say is the all-water route. I have read the representations that were made to parliament in which the Minister of Transport stated - and I am sure if my figures are wrong there are gentlemen here who will correct me - that the Newfoundland Railway on its railway operations prior to Confederation, when the rates were higher than they are now, and the wages paid by the Newfoundland Railway were lower, lost approximately a million and a half dollars, and that following confederation with these new ideas that have entered the picture, subsidies, or assuming that the ninety miles of water is all-rail transportation, and treating it as such, they would lose another million dollars. That means that they plan to lose \$2,500,000 on that route. That is through the loss of the Newfoundland Railway as

such. My figures may be somewhat wrong, but I know that is substantially correct. That is why I say, looking at the matter from the viewpoint of the national economy as a whole, that some encouragement ought to be given to these routes, to keep them alive. As I say, and as the Chairman has pointed out, we are not for one moment asking for an increase in rates, nor are we suggesting for one moment that the proposal to subsidize is wrong. We know that it is a part of the terms of confederation with Newfoundland. It goes to the Constitution of the dominion as it is now constituted.

We are not suggesting that for a minute, but we are asking that steps be taken to assist us by one, the application of the Maritime Freight Rates Act to water movement and two, the payment of some subsidy. The figure of \$250,000 which we fix is purely an arbitrary one, a tonnage subsidy, to help us overcome the artificial difficulty which has been created for us by the subsidy across the Gulf of St. Lawrence.

I am suggesting and asking you gentlemen and your experts, since the scope of your inquiry is very much broader than the mere question of rates, and since the whole of the national transportation problem is under your review, as a matter of inquiry to ascertain the exact cost per ton of carrying cargo to Newfoundland, and assuming those rates. I am satisfied that you will find that the government could very well pay a subsidy and would be in money. I am satisfied that you could apply the Maritime Freight Rates Act and be in money.

THE CHAIRMAN: "And be in money." You say the

government could afford to pay this?

MR. DALEY: The subsidy we request.

THE CHAIRMAN: And be in money?

MR. DALEY: And be in money.

THE CHAIRMAN: How?

MR. DALEY: Because I am quite satisfied you will find that the cost of moving cargo to Newfoundland via the Canadian National Railways, by reason of having to absorb the costs in crossing the Strait, is such that the Canadian National Railways in respect to that service will have a substantial deficit which can be reduced to a point by a smaller volume of cargo carried.

Let me make that point a little clearer. As I understand it, one-seventh of the cargo which moved into Newfoundland was moved by the old Newfoundland government railway. That is cargo from Canada. That is the figure which is generally accepted. The Newfoundland government railway handled one-seventh of that movement via Port aux Basques. Railroad operations on the Newfoundland Railway are generally known to be very difficult in the wintertime. If the Newfoundland Railway is expanded so as to handle via the Port aux Basques gateway a considerably larger volume of cargo, the cost of the expansion of the Newfoundland Railway will be greater, or at least I submit that it is a matter for this Commission to investigate as to whether or not it will be greater by expanding it to a point where it will take all cargo, as will happen if these lines are put out of operation. The railway will have to take it all either via Halifax or via North Sydney. I submit that the cost will be greater than it

would be to allow the steamship companies to continue as they have done in the past and carry the freight to Newfoundland by water.

THE CHAIRMAN: That can only be done by government assistance?

MR. DALEY: We think so at the moment, Mr. Chairman. We will have to submit figures to you. I realize that. We have not been operating long enough to be sure, but based on our previous operations we think it can only be done by some government assistance.

THE CHAIRMAN: Mr. O'Donnell, have you any more questions?

MR. O'DONNELL: Just as a matter of interest, Mr. Daley, or Mr. Williams if you prefer him to answer this, can you tell the Commissioners how much steamship rates have increased since 1939?

MR. DALEY: Oh, about 60 per cent.

MR. O'DONNELL: As compared with a railway rate increase of 21 per cent, if it is maintained.

MR. DALEY: Yes.

MR. O'DONNELL: And the 60 per cent, I take it, was due to the fact that you encountered increased costs of operation?

MR. DALEY: That is right.

MR. O'DONNELL: Wages went up?

MR. DALEY: I would say wages went up three times, 300 per cent. Costs of construction went up. New construction went up probably more than 300 per cent.

MR. O'DONNELL: In any event, you have raised your rates roughly 60 per cent since 1939?

MR. DALEY: Yes.

MR. O'DONNELL: And railway rates have only gone up 21 per cent?

MR. DALEY: Yes. Of course, we have become competitive. Since these new rates came in we have lowered our rates.

MR. O'DONNELL: I assume that forced you to be competitive; otherwise you would not get any traffic.

MR. DALEY: That is right.

MR. O'DONNELL: As a result of your reduction to become competitive how much of your increases have been left, the increases you put in since 1939?

MR. DALEY: That is a little difficult to answer at once because, as I say, we have only been operating under the new system since the first of April.

MR. O'DONNELL: Can you just give us an estimate?

MR. DALEY: Formerly we had commodity rates. Every commodity took its own rate, and the same rate was charged by all the associated Newfoundland lines. Now we have class rates, the same as the railways. I know of one rate, for instance, out of the Port of Halifax that I can think of that before was --

MR. WILLIAMS: There have been decreases from 4 per cent to 69 per cent in various rates.

MR. DALEY: Four per cent to 69 per cent in various rates. There have been some increases, too.

MR. WILLIAMS: Yes.

MR. DALEY: But very small.

MR. O'DONNELL: Can you give the Commissioners any idea of what percentage only decreased by four per cent?

MR. WILLIAMS: We have many hundreds of different commodities. We would have to take the whole tariff to do it.

MR. O'DONNELL: On some of those commodities on your statement you have 56 per cent of the increase still left available for you?

MR. WILLIAMS: That is right.

MR. O'DONNELL: I do not want to take any considerable length of time with this, Mr. Chairman. Mr. Daley referred to some discussions which have taken place recently. I understand, Mr. Daley, that the Canadian National Railways offered what they considered a very fair proposal of establishing through rates via the Port of Halifax equalizing them with those published via Saint John in connection with the Canadian Pacific Railway?

MR. DALEY: I think substantially so.

MR. O'DONNELL: And the steamship operators are negotiating for even a little better condition than that. They have not definitely said no and they are hoping they can get a little better deal. That is the position at the present time?

MR. DALEY: Yes. Mr. Williams reminds me that he has been conducting the negotiations. He says we are asking for the same divisions as the C.P.R. is granted at Saint John.

THE CHAIRMAN: The same what?

MR. DALEY: The same division in the proportionate rate as the C.P.R. is granted at Saint John, but as I understand it the C.N.R. has said that the Halifax haul is a longer haul.

MR. O'DONNELL: Yes, and they have suggested a slight additional amount to take care of the added service that has to be rendered.

MR. DALEY: That is right.

MR. O'DONNELL: In other words, the distance from Saint John to Halifax has to be taken into consideration?

MR. DALEY: That is what I understand.

MR. O'DONNELL: And the fact was that the boats would have a considerable saving of time coming into Halifax rather than going around the province into Saint John.

MR. DALEY: Halifax has become a port of call because we have to go to Saint John to get the C.P.R. cargo.

MR. O'DONNELL: But Halifax being a port of call your boats would have saved that long voyage to Saint John.

MR. DALEY: If we did not have to go to Saint John; that is true.

MR. O'DONNELL: And the Canadian National Railways' officials have made computations as to what that saving to you, or to your steamship company, should amount to in their estimation. They have also made a computation of the additional cost of the service for the extra mileage, and they have made an offer to the steamship companies which, if accepted, would provide Halifax with a through rate on a basis comparable to Saint John, and I understand that some of the steamship companies have indicated a willingness to accept that offer?

MR. DALEY: Yes.

MR. O'DONNELL: That is correct?

MR. DALEY: I think so.

MR. WILLIAMS: Not at the moment.

MR. DALEY: I understand not at the moment, but I understand it is in the process of negotiation.

MR. O'DONNELL: Is it not a fact that some of them have indicated that they would like to go along with that and take the offer, and others are holding off for a better deal?

MR. DALEY: You say that is right?

MR. FRIEL: Initially, yes.

MR. DALEY: Initially - well, I don't know.

MR. O'DONNELL: You were not at the meetings?

MR. DALEY: No, I was not at the meetings.

MR. O'DONNELL: And the offer that the Canadian National Railways have made is confined to the ports of Saint John and Cornerbrook, or the same ports as to which the Canadian Pacific have made an arrangement with the shipping companies?

MR. DALEY: That is correct.

MR. O'DONNELL: I think it might save a certain amount of time if this matter, which I understand was discussed with the Minister of Transport, and was discussed in parliament prior to enactment --

MR. DALEY: I should like to clear that point up because Mr. Williams was not in a position to answer that. It was not discussed with the Minister of Transport. The difficulties with which we were faced were discussed with the Deputy Minister of Transport and with the Chairman of the Maritime Commission, and it was discussed

by me. I do not recall at that time having made any specific suggestions as to what I thought the remedy should be, although we did discuss the possibility of subsidies, the possibility of this tonnage subsidy that we have suggested in our presentation. My recollection is that we also discussed the possibility of the agreement with the Canadian National Steamships, which was now being negotiated. In fact, I know we discussed that because we had a special meeting with the Canadian National in Montreal at which we discussed it. At that time they were not prepared to make any concessions at all on the local rate problem out of Halifax. In other words, we would be charged the local rates to Halifax, and we were to make up the difference forwarding cargo from Montreal to St.

John's, as has been pointed out in my brief. When the matter went through parliament it was my impression at the time, and I was told by at least one of the officials with whom I discussed the matter, that the proper course to follow would be to bring this matter before this Commission, and that is a part of the reason it is here today. We would have probably come in any event.

It was generally felt that there was not time to discuss the problem at that time. The government had made certain commitments with relation to Newfoundland. The terms of union had to be carried out, and legislation had to go through in accordance with it.

MR. O'DONNELL: All I was getting at was that no matter what media were used, or who the spokesman might be, the Minister of Transport during the course of his remarks, which are recorded in Hansard, certainly had

these things in mind prior to the enactment of the Act.

MR. DALEY: I think that is true.

MR. O'DONNELL: And that really you are coming here as a court of appeal to review that?

MR. DALEY: I submit not because these statements that are made in Hansard were made by the Minister of Transport long before he heard us at all, or long before he heard any representations.

MR. O'DONNELL: It would not be long before he heard someone else who had heard you?

MR. DALEY: Yes, absolutely, because we made no representations at all in this matter until it was raised in parliament, I think by Mr. Nowlan.

MR. O'DONNELL: And Mr Isnor?

MR. DALEY: Or Mr. Isnor. Mr. Nowlan and Mr. Isnor first raised the question in parliament. Following that we made our representations, but this bill was practically through the House of Commons.

MR. O'DONNELL: That is right, but these representations were made before the bill finally went through the House of Commons?

MR. DALEY: It had received second reading, and within two or three days after it received third reading, and we had no chance to take the matter up.

MR. O'DONNELL: Parliament could still have acted on the matter. It was before parliament, and it was prior to the adoption of the Act?

MR. DALEY: I suppose they could have, but I do not suppose they would because this Commission was appointed for that very purpose.

MR. O'DONNELL: In any event, it might save time if I read a short statement from Hansard. I think it would also be well to file as an exhibit the copy of Hansard in which this matter is set out so that the Commissioners will have the full story.

THE CHAIRMAN: First of all, what is your attitude towards this application they are making?

MR. O'DONNELL: The answer simply is that obviously these people are trying to make a little better deal than the Canadian National Railways think they should. The matter is under negotiation at the present time, and they are representing that they would like to have the Maritime Freight Rates Act apply to water shipments. It never has before.

THE CHAIRMAN: You are opposed to that?

MR. O'DONNELL: I am simply placing the facts before the Commission. I am not saying that I am opposed, or that I have any view on the matter. Parliament did not make it apply. The recommendation of the shipping companies is that it should apply. That is a matter for parliament to decide in the final analysis. Possibly the Commission will make some recommendation as to the situation.

THE CHAIRMAN: That is what we are here for.

MR. O'DONNELL: That is right. All I am pointing out is that the matter was discussed, and that the Commissioners will find the full story in Hansard, part of it in any event, on the 17th of February, 1949. It is volume 88, No. 17, at pages 619 to 627. The Minister of Transport made a statement concerning section 13 of Bill No. 12. That is the one Mr. Daley referred to. Hansard reads:

"On section 13 - Maritime Freight Rates Act.

Hon. Lionel Chevrier (Minister of Transport):
Yesterday, when this section was being discussed, a number of questions were asked, and there seemed to be some misapprehension as to the exact meaning of it. I have communicated with the officers of the Canadian National Railways in connection with section 13 as set out in the Act to amend the statute law, and I should like to make this statement.

The provision in the bill that through traffic between Canada and Newfoundland shall be treated as all-rail traffic when passing over the water route between North Sydney and Port aux Basques on the steamship now owned by the Newfoundland Railway is nothing unusual. It is the same practice as was followed with respect to the vessel service between the mainland and Prince Edward Island many years ago, when through rates were made via that service; the only difference is that the steamer service between the mainland and Prince Edward Island has been changed to a car ferry. It is not possible under present conditions to establish a car ferry between North Sydney and Port aux Basques; therefore the steamship service must be considered as a substitute for a car ferry service.

Under the circumstances it is quite proper for the through rates prevailing in the other maritime provinces to be extended through to Newfoundland via the steamship service on a basis somewhat comparable to the rates within the Maritimes; in fact as soon

as the Newfoundland Railway and its steamship service between North Sydney and Port aux Basques come under the provisions of the Railway Act, the provisions of that act will require the extension of reasonable through rates between the other provinces of Canada and Newfoundland.

The same situation exists with respect to the water service now carried on via the car ferry between Mulgrave and Point Tupper - that is, the rates between the rest of Canada and Cape Breton are on a through rail basis.

The reductions in the rates which will result from the taking over of the Newfoundland Railway and steamship service by the Canadian National is exactly the same practice as has been followed with other railways taken over by the Canadian National. For example, when the railway from Matapedia to Gaspé was taken over, in accordance with the requirements of the Railway Act the rates were reduced from a combination over Matapedia to a joint through basis which was comparable with the main line of the Intercolonial Railway for approximately similar distances.

Mr. McCulloch (Pictou): What year was that?

Mr. Chevrier; I have not the exact date, but it was some time ago.

Under the bill the Canadian National Railways is required to file tariffs with the Board of Transport Commissioners on March 31, assuming that confederation takes place on that date, and assuming also that the

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Mr. Williams, cr-ex.

lines of railway on the island of Newfoundland and the steam service between North Sydney and Port aux Basques are entrusted to the Canadian National Railways on the same date. Such rates will have to conform to the general pattern of rail rates in the other provinces of Canada; otherwise they would be discriminatory. Discriminatory rates, either higher or lower than in the same general territory, cannot be maintained under the Railway Act. Therefore, as stated, the rates will follow the general pattern of the rates in the other provinces.

There is a great deal to be done in working out the details of these rates; therefore no quotations are available at the present time. But it may be stated that, from what has been done so far, the scheme of rates to and from Newfoundland compared with the rates to and from Halifax will result in substantial differences between the Halifax rates and the Newfoundland rates. If private steamship operators wish to continue to operate between Halifax and Newfoundland, and particularly St. John's, Newfoundland, the difference between the local Halifax rates and the Newfoundland rates should be sufficient to enable the steamship operators to carry on service at fair and reasonable rates.

On some commodities very low rates have been published from points Montreal and west to Halifax and North Sydney for furtherance to Newfoundland.

These rates were established many years ago when there was a steamship line operating between New York and

Newfoundland, and the rates to Halifax and North Sydney were established to meet competition via the port of New York. Combined with the local rates of the Newfoundland service beyond North Sydney or the private vessel rates beyond Halifax to Newfoundland, they resulted in very high rates. The through rates now proposed by the legislation to and from Newfoundland will be on a more reasonable basis, and the steamship operators at Halifax cannot expect the railways after the union to carry such extremely low rates to Halifax and North Sydney and thus result in the diversion of traffic from the through route of the Canadian National Railways.

There is nothing, however, in this Act or the Railway Act to prevent other carriers, such as the Canadian Pacific Railway and the Dominion Atlantic Railway, from maintaining rates to Halifax via the route through Saint John and Digby for furtherance to Newfoundland, and in connection with steamship operators from Halifax providing competition with the joint through rates over the Canadian National Railways."

That is the end of the Minister's statement. Then the discussion proceeds.

THE CHAIRMAN: That is Hansard of what date?

MR. O'DONNELL: The 17th of February, 1949, at page 619. I gave the reference, pages 619 to 627, where the remarks of the other hon. members who discussed the matter are to be found. There is a further short extract on page 622 which might be put on the record at the present time. The remarks are by the Prime Minister.

What the hon. member would like to have done, perhaps, would be to have the federal exchequer assume 20 per cent of the water carriage bill from Halifax to St. John's. That is a matter which was discussed with the delegation, and we could not agree to it. There is no control, other than that arising out of competition, over the amount of freight that water carriers take. We could not agree to pay out of the federal exchequer 20 per cent of the cost of water-borne traffic from Halifax to ports in Newfoundland. The other rail rates are not being changed in any way. It may be that having the ninety miles between North Sydney and Port aux Basques treated as rail movement would make a rate which would be more attractive than a water-borne rate from Halifax to St. John's, but it would be merely for Port aux Basques and nearby operations, because a through rate all rail from any point in Canada to St. John's via North Sydney and Port aux Basques will be a rate that should be higher than a combination of the freight rate to Halifax plus a fair and reasonable water rate from Halifax to St. John's. On the rail portion, either within Nova Scotia or New Brunswick or within Newfoundland, the federal exchequer will reimburse the shippers 20 per cent to the railways. But it will not reimburse 20 per cent of the water freight from Halifax to St. John's or any other port, and it never has. So it is not creating anything different in that respect."

That is just a part of the statement.

THE CHAIRMAN: What page?

MR. O'DONNELL: That is at page 622. I shall not take up any more time other than to point out that the matter was discussed. I am merely putting before the Commission the facts as I understand them. And, as Mr. Daley says, they are negotiating in the hope of getting an arrangement which will satisfy everybody. Possibly that may come about before the Commission has completed its deliberations.

There is this further remark: the greater volume of traffic which may accrue to the Newfoundland Railway as a result of these routes might have the effect of changing the deficit position that Mr. Daley referred to. That may be something else which should be borne in mind.

MR. DALEY: I do not want to carry this discussion on indefinitely, but since my learned friend has referred to Hansard, I too would like to refer to Hansard, at page 608 of Hansard for February 16, 1949, where the Prime Minister -- here again many were speaking, and I shall not read it as exhaustively as did my learned friend, because the whole discussion is set out there, and it was carried on by Mr. Nowlan, Mr. Isnor, the Honourable Mr. Chevrier and the Prime Minister. However, the Prime Minister had this to say at page 608:

"Mr. St. Laurent: That is something also which was carefully discussed with the representatives of Newfoundland, and they were told that all these matters would have to be taken into consideration by the transport commissioners. What is provided is that this connection to Port aux Basques is a part

of the railway rate, but the maritime rate will apply within Newfoundland. It does not apply now to the traffic carried by water from Halifax to any point in Newfoundland; but in determining what will be proper rates to charge for rail movement the board will have to take all appropriate factors into consideration. The delegates from Newfoundland finally were satisfied with this position; that we do not want to have things happen which will interfere with the economy of Newfoundland, and we do not want things to happen which will interfere with the usual trading practices of the maritime' provinces."

Now, Mr. Chairman, I submit that these terms of reference to this Commission are broad enough to consider all transportation matters within Canada.

THE CHAIRMAN: Nobody questions that.

MR. DALEY: These matters, came before Parliament at a time when the Newfoundland lines were not represented, and quite naturally, as I say, at the time when these statements were made by the Hon. Mr. Chevrier. They had not had any opportunity to make any representations to him at all, and, moreover, the minds of the members of parliament were directed to another and totally different thing, namely the bringing about of confederation between Canada and Newfoundland and the terms of agreement to be entered into between the negotiating parties.

Now, I am asking the Commission to give serious consideration to the suggestion that we have made, that the Maritime Freight Rates Act should be made to apply

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to between points. Mr. O'Donnell has mentioned bringing shipments across the Bay of Fundy via the D.[^].R.; but the capacity of the Princess Helene is not such to take in Newfoundland cargo from St. John to Halifax. Now, we have done all we can to make our position clear.

THE CHAIRMAN: Does anybody else wish to ask questions?

CROSS-EXAMINATION BY MR. FRAWLEY

Q. MR. FRAWLEY: With respect to the concluding words of section 13:

" . . . and through traffic moving by water between Port aux Basques and North Sydney shall be treated as all-rail traffic."

That simply means that it is to be regarded as if there was no water or docks, and as if the rails continued through North Sydney to Port aux Basques.

MR. DALEY: Surely.

MR. FRAWLEY: Have you any idea as to what that is going to mean to the annual budget provided under the Maritime Freight Rates Act?

MR. DALEY: No, I do not. We do not know the cost and we do not know the volume of traffic. But we do say that if it moves from Halifax, it will cost us between \$5 and \$6 a ton loading at Halifax and discharging at St. John's, Newfoundland. We do not know the rates, nor do we know the volume of traffic. We do not know the rates which the Canadian National pay at North Sydney, or at Port aux Basques; nor do we know the volume of traffic which moves.

MR. FRAWLEY: The receiver of freight at St. John's pays the rate which disregards everything between

the arrival at North Sydney and the departure of the train at Port aux Basques; is that right?

MR. DALEY: The charge is made as though it were ninety miles of railway.

MR. FRAWLEY: The rate from St. John's to Truro is very, very materially reduced?

MR. DALEY: That is right.

MR. FRAWLEY: But your difficulty is that you move from Halifax, and there is no similar provision made there on your water traffic from Halifax to St. John's, Newfoundland, and that it should be treated as all rail?

MR. DALEY: That is right.

MR. FRAWLEY: Your traffic comes to Halifax where it is unloaded at some cost, then loaded again, at some cost, and the same operations are performed at Newfoundland; and your people have to pay for some of the cost?

MR. DALEY: Yes, as well as some wharfage charge as well.

MR. FRAWLEY: But your receiver in St. John's, Newfoundland, has a competitive rate by free loading and unloading at Port aux Basques, and until you people make that rate, all his traffic will go that way?

MR. DALEY: Yes.

MR. FRAWLEY: So you are asking for some subsidy for the actual stevedoring which you have to do at Halifax and St. John's?

MR. DALEY: Yes.

MR. FRAWLEY: Now, I am interested in the arrangements you recently made with the Canadian Pacific. You say that they have agreed with you to share the

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disadvantage at which you find yourself in wanting to move traffic from Halifax to St. John's?

MR. DALEY: I would not put it that way. They have agreed to put in a proportionate rate; and the Canadian National, I think, is going to agree, as I pointed out, to put in a proportionate rate, whereby we can get a larger share of the through rate than we would if we had to charge a rate equal to the difference between the local rate from, let us say, Montreal to Halifax.

Let me give you a practical example. Let us suppose, on a certain commodity, that the rate from Montreal to Halifax is \$1.20 a hundred pounds, while the rate from Montreal to St. John's, Newfoundland, is \$1.40. That may be too small a margin; but there is a difference of 20¢. And unless we are able to negotiate this proportionate rate through agreement with the Canadian National, the shipper in St. John's will have to compete, first, with the \$1.40. But the railway will get \$1.20, and we will get the 20¢ per 100 pounds. This is merely an illustration of the cost of loading and unloading cargo without anything else. It will amount to \$4 a ton at St. John's and to \$6 a ton in Halifax; and there are commodities which we simply could not take because of the cost of loading and discharging in Halifax and St. John's, which would be greater than our proportion of the freight, if we did not get this proportionate freight agreement negotiated with the Canadian National.

MR. FRAWLEY: I would like to talk about the Canadian Pacific, because the Government of Canada, for perfectly good reasons, gave the Newfoundland Railway to the Canadian National, knowing that there would be a deficit there every year, which would be simply added to the deficit which the Canadian National now has.

I would like to know a little bit more about the arrangement which you might have with the Canadian Pacific out of St. John, New Brunswick. To what extent have you got a concession from the Canadian Pacific, revenue-wise, on traffic terminating by rail in St. John and then moving by ship from St. John to St. John's?

MR. SINCLAIR: Mr. Chairman, I would like to suggest that if Mr. Frawley has any questions concerning the Canadian Pacific that he wait until such time as Canadian Pacific witnesses are available. I think it is most unfair for him to ask Mr. Daley about the Canadian Pacific; and I am sure it is going to waste time. But if the Commission requires information from the Canadian Pacific, I am sure they would be very glad to facilitate your inquiry and to provide whatever information you require.

MR. FRAWLEY: Putting aside Mr. Sinclair's soft approach about wasting time, I would like to ask Mr. Daley about a question in his brief. He says: in his brief at page 6:

"Fortunately some measure of relief has been obtained because the Steamship Companies have been able to make an arrangement with the C.P.R., whereby that Company has agreed in collaboration with them to establish rates divided proportionately

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between the railway and the Steamship Companies from all points in Canada served by the C.P.R. to Cornerbrook and St. John's when shipped from Canada via the Ports of Montreal and Saint John."

THE CHAIRMAN: It is only right that Mr. Daley should tell us what he knows about what he himself put in his brief. There is no question about that. And if he does not know anything about it, he can tell us.

MR. DALEY: I shall have to plead ignorance as to the method by which that division was made because I am not a rate expert at all and I do not know. But I do know this, that it was a better arrangement than the local rate would have been.

THE CHAIRMAN: It may be that Mr. Williams can tell us something about it?

MR. SINCLAIR: Mr. Chairman, as you no doubt know, I am sure that Mr. Frawley knows that the question of division as between carriers is a matter which is not made public.

THE CHAIRMAN: Which is not made public?

MR. SINCLAIR: No, Mr. Chairman. Mr. Frawley is trying to ascertain the actual division of some traffic, and as to how the rate is split.

THE CHAIRMAN: But I thought you said you were going to produce your own witnesses?

MR. SINCLAIR: I think he would like to tell the Commission that the matter of division -- that he would be glad to help them by giving that information to the Commission. But it is not a matter for Mr. Frawley. I do know that he is very conscious of this fact; that it is not a matter for Mr. Frawley to put to Mr. Daley

or to others, the question about the private arrangement as to division, unless the Commission wants to ask about that matter. I submit that Mr. Frawley should wait until the traffic officers come forward from the Canadian Pacific. Mr. Frawley is trying to ascertain information about the Canadian Pacific by asking about something which is not filed with anybody, which is a private deal between two independent private enterprises. And I suggest to the Commission that the proper thing to do is to wait until Mr. Jefferson of the Canadian Pacific is on the stand, and then, if Mr. Jefferson feels free to discuss it, at that time, it would be in order.

THE CHAIRMAN: Why should we leave it to Mr. Jefferson?

MR. SINCLAIR: What I meant, Mr. Chairman, was, subject to your direction, of course.

THE CHAIRMAN: Does Mr. Williams know anything about the questions you have put? You had better proceed question by question, and if you ask anything which you ought not to ask, you will be stopped. That is all.

MR. FRAWLEY: Mr. Williams is consulting with his counsel at the moment.

Now, Mr. Williams, did you take part in negotiations, whatever they were, with the Canadian Pacific, which culminated in the manner described in the first full paragraph on page 6 of Mr. Daley's submission?

MR. WILLIAMS: That is right.

MR. FRAWLEY: And did they take place in Montreal?

MR. WILLIAMS: That is right.

MR. FRAWLEY: And with whom? Whom did you see?

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MR. WILLIAMS: We had a number of meetings with Canadian Pacific officials there, and representatives of the steamship companies.

MR. FRAWLEY: And you saw Mr. C. E. Jefferson, I take it?

MR. WILLIAMS: Yes.

MR. FRAWLEY: And you saw Mr. Gillis?

MR. WILLIAMS: Yes.

MR. FRAWLEY: And you put to him the predicament of your clients, the steamship companies, the predicament they were facing, that of the loss of business; and you discussed all that with the Canadian Pacific?

MR. WILLIAMS: That is right.

MR. FRAWLEY: And you said that if it continued as it was left by the terms of union, you yourself, at your own expense, would have to absorb all of these stevedoring costs, both in Nova Scotia and in Newfoundland?

MR. WILLIAMS: We do certain stevedoring ourselves.

MR. FRAWLEY: And you would have to meet competition which was newly created by the terms of union?

MR. WILLIAMS: That is right.

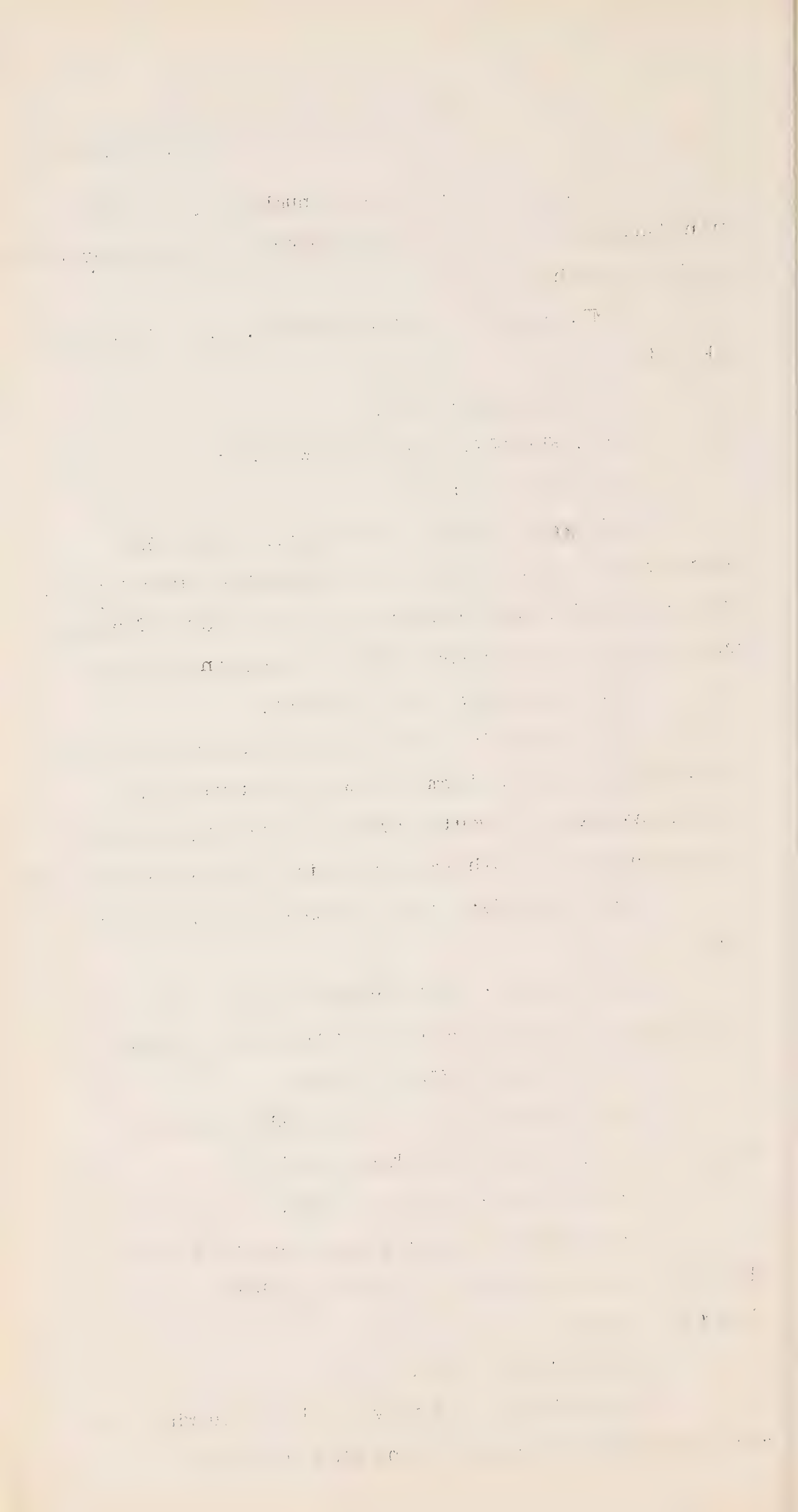
MR. FRAWLEY: And you asked the Canadian Pacific if they could do anything about it?

MR. WILLIAMS: That is right.

MR. FRAWLEY: And the Canadian Pacific said that they could and would do something about it? or that they would consider it?

MR. WILLIAMS: Yes.

MR. FRAWLEY: And they did tell you what they could and would do about it; and what was that?



MR. WILLIAMS: They agreed that, jointly, the associated lines should equalize the all-rail rates through North Sydney.

MR. FRAWLEY: And that meant something in the way of a reduction in the Canadian Pacific revenue, after apportionment of the haul, the rail haul, terminating in St. John, New Brunswick?

MR. WILLIAMS: No.

MR. FRAWLEY: Well, if it was not done by a voluntary reduction in the Canadian Pacific's share of the haul, it would mean a loss, revenue-wise. How else was it done?

MR. WILLIAMS: We agreed between us to apportion the through rate; so much went to the railway and so much went to the steamship companies.

MR. FRAWLEY: You say that so much went to the railway and so much went to the steamship companies. Would that be before you went to Montreal to have the discussion?

MR. WILLIAMS: Yes.

MR. FRAWLEY: And after you came away from Montreal, something else went to the railway and something more went to the steamship companies than before you went to Montreal?

MR. WILLIAMS: That could be so.

MR. FRAWLEY: You say yes?

MR. O'DONNELL: He did not say that.

THE CHAIRMAN: Let these people answer the questions. But, perhaps, before you proceed, it might be well if you told us what the position of the Province of Alberta was in this matter, Mr. Frawley?

MR. FRAWLEY: Mr. Chairman, I am very glad that

you ask me that question, This is the same Canadian Pacific, the company which, because of the tremendous drop in freight revenue had to take away the 50% rate on live stock shipped to fairs, and had to modify the rates on farm machinery into Saskatchewan and Alberta. But now they find it possible, since union, to forego some of their revenue. But nevertheless, they cannot do it out in western Canada.

Now, Mr. Williams, you say that that could have been so, and that the Canadian Pacific could have taken something less for taking the traffic to St. John, and that the steamship companies could have got something more for taking it from St. John to St. John's?

MR. WILLIAMS: Yes, that may be so. I know the division of the through route, but I have not worked it out as against the railways.

MR. FRAWLEY: You say you have not worked them out?

MR. WILLIAMS: Yes, to see whether they are greater or less than the Canadian Pacific would get ordinarily, under the domestic rates.

MR. FRAWLEY: I find it difficult to understand: unless you got a concession from the Canadian Pacific. You went there to get a concession from the Canadian Pacific?

MR. WILLIAMS: Not necessarily. The arrangement was necessary to both Canadian Pacific and the steamship companies.

MR. FRAWLEY: But the mere fact that you had to go to Montreal to discuss these matters, it seems to me, was obviously for the purpose of getting a concession,

rate-wise, from the Canadian Pacific?

MR. WILLIAMS: No. It was to enable us to get traffic which, otherwise, would be lost to us.

MR. FRAWLEY: That is true. They were faced with a loss of traffic, and with a loss of revenue, and they thought by entering into this arrangement, they could keep the traffic moving into St. John, New Brunswick, on a competitive basis. I suggest to you that that must have meant a concession, revenue-wise, from the Canadian Pacific; otherwise, how else?

MR. WILLIAMS: I am not prepared to say.

MR. FRAWLEY: That is my position and my justification for developing this kind of thought.

THE CHAIRMAN: What have you to say, Mr. Sinclair?

MR. SINCLAIR: I think I should say the Canadian National, after the entry of Newfoundland into confederation, had a route for the movement of traffic at certain rates. The Canadian Pacific did not have such a route. It, therefore, with the assistance of the other carriers, the steamship carriers, set up a route, and on that route made divisions, as is the normal procedure. Otherwise, it would have got no business at all.

How Mr. Frawley could make such a wild statement as he has done, in view of that somewhat simple fact, is more than difficult for me to understand, because it comes down to the question as to whether it is better for us to carry traffic and make some money, or not to carry traffic at all, so that the farmers of Alberta would have to pay higher freight rates to keep the Canadian

Pacific in business than they are doing today.

MR. FRAWLEY: We have heard all that at least fifty times before.

MR. SINCLAIR: But he does not seem to understand it yet, Mr. Chairman.

THE CHAIRMAN: Has anybody else got any questions to ask about this matter?

MR. COVERT: Mr. Chairman, I wonder if, perhaps, somebody could give me some information as to whether this rate, which goes partly by rail and partly by water, is expressed in a single sum?

MR. DALEY: Yes, certainly. We quote to the two carriers.

MR. COVERT: I am thinking about the Canadian Pacific.

MR. DALEY: It is a single rate that we quote.

MR. O'DONNELL: Cents per hundred pounds?

MR. DALEY: Yes, that is correct, from points in the interior to Newfoundland.

EXAMINATION BY MR. COVERT

MR. COVERT: There are a few questions. First, presumably, if a subsidy was to be granted, then, perhaps, an important feature of that would be as to the essentiality of the service. Isn't that right?

MR. DALEY: I feel that this is one feature of it, yes, certainly.

MR. COVERT: Or, if it could not be shown that these services were essential, would it not be rather difficult?

MR. DALEY: I submit not, and for this reason: if this bridge had not been artificially built across

the Straits of Canso, the argument would fall to the ground. But the minute you take two natural routes, and destroy the one by building an artificial bridge, then you set the ordinary laws of economics out of balance, and you must do something to sustain the other, or else they will go. It may be a question of national policy as to whether or not the government of this country wants, eventually, to eliminate the steamship business to Newfoundland and make it an all-rail business. If that is the national policy, I could not think of any better way to go about it.

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MR. COVERT: That is the point I want to come to. Then it would seem to me that in effect you say these people have a vested interest now; they were carrying on this business, and now they are being driven out by national policy.

MR. DALEY: Not only by national policy, but I go further and I say by national subsidy, or whatever way you may want to put it -- by contribution of the national exchequer.

MR. COVERT: And by what you say is forcing an uneconomic means of transportation?

MR. DALEY: That is exactly it -- and an unnatural means; I say it is an unnatural means of transportation to carry freight to the Island of Newfoundland by rail, when it has been done throughout the history of the country by water.

MR. COVERT: Now, the rail line or the water line that is being made an all-rail route, I am informed that is treated as 100 miles instead of 90, that goes to Port aux Basques, and as I understand from you only about one-seventh of the goods that are taken to Newfoundland by sea have gone over that route?

MR. DALEY: That was my understanding, prior to Confederation. I think it will probably be altered now.

MR. COVERT: And Port aux Basques is not the place where the main center of population of Newfoundland is?

MR. DALEY: Not by any means, no.

MR. COVERT: Your steamship lines run to those places?

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MR. DALEY: That is right; the main points are St. John's, Cornerbrook, Grand Falls and Buena Vista.

MR. COVERT: After the traffic goes over the railway to North Sydney, and then what is considered as an all-rail route -- that is, from North Sydney to Port aux Basques -- they must carry the goods over the railway system to --

MR. DALEY: Much of it without population.

MR. COVERT: Now, I presume that the railway system of Newfoundland has not proved to be a paying proposition?

MR. DALEY: Well, I think I said it was understood to have lost over a million dollars before Confederation annually.

MR. COVERT: Now, when the steamships take their goods to St. John's and Cornerbrook -- those are the main ports of call, are they not ?

MR. DALEY: Correct.

MR. COVERT: Then the people there have to look to the railways to distribute the --

MR. DALEY: I would say not to any extent. I doubt if we take in five per cent of our cargo which goes by the railways to St. John's. Cornerbrook is a little different, but there is a large center of population around St. John's in the Avalon Peninsula which is serviced by trucks, and then coastal steamers, small coastal boats, pick it up there and take it along the coast north and south where no railway lines are at all.

MR. COVERT: Where do most of the goods that come into Port aux Basques go?

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MR. DALEY: Most of the goods that go into Port aux Basques, I would say a large percentage of them, go to Cornerbrook; some go to Grand Falls, some go to --

THE CHAIRMAN: How do they get there?

MR. DALEY: They go by rail, rail almost entirely. -- various points served by the Newfoundland Government Railways.

MR. COVERT: Another question I wanted to take up with you, Mr. Daley, was the question, is there any regulation of the rates that the steamship owners have now in effect or that they have had in effect, or is the rate merely based on competition?

MR. DALEY: The rate is based on competition entirely.

MR. COVERT: Now, have most of the steamship lines that have been going to Newfoundland not belonged to one association?

MR. DALEY: Yes, but the rates of that association have been fixed, I would say by competition of schooners and competition of independent carriers who are not in the association at all.

MR. COVERT: : There have been briefs submitted to the Commission that perhaps the rates of these steamship lines should be regulated; what do you say as to that? -- that they should be supervised by a board similar to the B.T.C.?

MR. DALEY: The Board of Transport Commissioners, you mean ?

MR. COVERT: Yes.

MR. DALEY: Well, I would not like to answer that question at the moment. There are certain advantages

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of it, but there are certain disadvantages of it. If all carriers were so subsidized or were so required to submit, if all carriers between Canada and Newfoundland were required to submit their rates to the Board of Transport Commissioners, there might be something in it, but it would not be fair to require certain carriers to submit their rates, to file a tariff, and to allow other carriers to shoot at that tariff and by competitive methods, unfair competitive methods, destroy the established lines. What I have in mind is this, that a great many small schooners come into ports like Halifax particularly and load cargo with their own crews; they do not pay standard wages, they do not insure, and they can take at a lower rate, a very much lower rate, because they do not pay stevedoring, they do not pay \$1.15 or \$1.25 or whatever the stevedoring rate may be, and unless all are required to submit to regulation none should be required to submit to regulation. That is my submission on that.

MR. COVERT: Now, there was one other thing in addition: if the M.F.R.A. applied to carriage of goods by sea, would that answer most of your problems?

MR. DALEY: If what applied?

MR. COVERT: The Maritime Freight Rates Act.

MR. DALEY: It would greatly assist, it would greatly assist.

MR. COVERT: Would the combination of that plus the agreement which you were discussing --

MR. DALEY: This agreement will greatly assist, it will greatly assist. Without the agreement

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with the C.P.R. and the C.N.R., the proportionate rate agreement, our position with Halifax and Saint John would be almost impossible, because with many commodities, especially bulk commodities, the cheaper class of commodities, we would have to carry at a lower rate than our stevedoring costs. There has been no reduction in the stevedoring costs with Newfoundland; in fact, the tendency has been the other way; there has been a 12 per cent increase in stevedoring costs since the union between Canada and Newfoundland, and the tendency is continuously in that direction, and if our costs of loading cargo are going to continue to go up and we are going to have to continue to take lower rates and to spend larger sums of money to insure the cargo, you can see where the steamship companies will be; they will be out of business.

MR. O'DONNELL: They will be right where the railways are.

MR. DALEY: They will be out of business. The railways are so much larger that they --

THE CHAIRMAN: Is it your feeling that the public or a part of the public may suffer in that event?

MR. DALEY: I think that is the situation, Mr. Chairman, I submit that they would.

THE CHAIRMAN: What part of the public would suffer?

MR. DALEY: I submit for one thing -- and I think the C.N.R. would be the first to admit this, as least I would be surprised if they were not -- without great cost the C.N.R. would be unable to handle

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via their rail lines in any event the volume of cargo moving into Newfoundland, and they could not do that immediately -- it would be over a period of years that they would require to do that -- without great cost.

The second point is the matter of policy: is it going to be a matter of policy to eliminate private enterprise from the transport industry in Newfoundland?

The third point is that that great bulk of the population in Halifax, Saint John and Newfoundland which all seaports have who depend for their livelihood upon the loading and discharging of cargoes would suffer severely if this trade were shut off -- and to some extent in Montreal -- suffer very severely. That is the problem from a public point of view and from the viewpoint of the port, the port of Halifax, the port of St. John's and the port of Charlottetown -- Charlottetown has not been mentioned here to-day, but in due course we will hear a brief from the Prince Edward Island Government, and I am confident that they will take the same view, that it would be a very unfortunate thing if the steamship companies were forced to the wall by these competitive situations.

MR. COVERT: Just one remaining point that I want to take up with you, Mr. Daley, and that is the question as to the jurisdiction of the Canadian Maritime Commission over these lines. Do you come under the Canadian Maritime Commission at all?

MR. DALEY: What do you menn? In what respect? We certainly do. The Canadian Maritime Commission are very helpful in doing everything they can to be of assistance to us.

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MR. COVERT: What I was trying to come to was, has the question of subsidies or anything been taken up with them?

MR. DALEY: I have discussed with Mr. Clyne the question, but not since the first of April or the middle of March, and at that time he told me that he would certainly take it into consideration, consider the question.

MR. COVERT: Is it a matter with which they could deal?

MR. DALEY: I don't know; I suppose they could. The Maritime Commission would certainly subsidize the individual steamships, but for some reason or other I do not believe Mr. Clyne feels that way, although he can certainly speak for himself, and I am not speaking for him, and I do not want to be taken as speaking for him, but it is certainly our feeling that we want to avoid subsidies as such if it is at all possible. We do not think it is sound, we would rather operate entirely on our own, but of the two bases, if we could not get both things that we are asking for, personally -- and I am only speaking for myself -- I would far rather see the Maritime Freight Rates Act applied to relieve us than a subsidy proposition on the loading of cargo.

MR. COVERT: Are these ships, shipping lines, subsidized in any way now?

MR. DALEY: No -- well, none of ours, none of the clients which I represent. There is one line that has a subsidy from the Dominion Government for carrying cargo from Prince Edward Island, but that subsidy expires at the end of this present season; it

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was given under extraordinary circumstances, and it expires at the end of the present season. Whether it will be renewed or not I do not know, of course.

MR. COVERT: Just one final question: are you in favour of the Maritime Commission regulating rates?

MR. DALEY: Well, you asked me that question in another form -- the Board of Transport Commissioners -- and my answer to that was that I would like to have time to consider that and discuss it with my clients. I said that I would certainly be against them regulating rates unless they regulated all rates. It would be unfair to regulate the rates of the established steamship lines without regulating the rates of the schooners as well and the conditions under which they should operate.

MR. COVERT: Would you think that all transportation rates should come under one body rather than under numerous bodies?

MR. DALEY: I would like to reserve my opinion on that. If you ask, I will discuss it at a later date with my clients and submit a supplementary opinion.

COMMISSIONER INNIS: Do any of your clients operate between American ports?

MR. DALEY: Yes.

COMMISSIONER INNIS: Are they under the jurisdiction of the Interstate Commerce Commission?

MR. DALEY: I assume they are. Mr. Barnstead is here. Are the Furness rates under the jurisdiction of the Interstate Commerce Commission -- shipments originating in New York? Mr. Walter Barnstead, the manager of the Furness Withy Company Limited, is

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here. One of the Commissioners asked if your operations out of New York are subject to the Interstate Commerce Commission regulations.

WALTER O. BARNSTEAD, called.

MR. BARNSTEAD: Our quoting of rates, the rates that are applicable are under the jurisdiction of the Interstate Commerce Commission.

COMMISSIONER INNIS: They must be approved by them?

MR. BARNSTEAD: They must be approved by them.

MR. DALEY: That is, from New York.

MR. BARNSTEAD: From New York only.

COMMISSIONER INNIS: New York to other American ports, or to Canadian ports as well?

MR. BARNSTEAD: No, our boats are British flag, and they cannot trade between American ports; they must go foreign, in other words.

COMMISSIONER INNIS: But they do exercise control over rates between American and Canadian ports?

MR. BARNSTEAD: To Newfoundland particularly, and I would think Halifax as well although I am not too sure on that point.

COMMISSIONER INNIS: What is the extent of the traffic between American ports and Canadian ports? Is that the bulk of it?

MR. BARNSTEAD: Well, before this Confederation, yes, it was. We were getting eight and nine hundred tons in a ship, or eleven hundred tons; to-day we are getting two or three hundred tons.

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Mr. Barnstead

COMMISSIONER INNIS: The amount of traffic from American ports to Canadian ports is greatly reduced?

MR. BARNSTEAD: Particularly to St. John's; it is falling off practically seventy per cent.

COMMISSIONER INNIS: And this is as a result of the arrangement with the C.P.R.?

MR. BARNSTEAD: No, no; the C.N.R.

MR. DALEY: The quotas, duties, and exchange.

COMMISSIONER INNIS: Your headquarters are in England or --

MR. BARNSTEAD: London, sir.

COMMISSIONER INNIS: Is that true of all your clients, Mr. Daley?

MR. DALEY: No. The Furness Red Cross and Furness-Warren Lines are in England, and Newfoundland-Canada Steamships is a local company here in Halifax.

MR. O'DONNELL: Just one question, Mr. Barnstead. Would you not say that the traffic that you were getting just before Confederation into Newfoundland was all merchandise that was being imported prior to the coming in of Confederation and the application of the Canadian customs tariff and things of that kind?

THE CHAIRMAN: Would you please repeat that: What is it you are asking?

MR. O'DONNELL: I will put it in another way. I asked Mr. Barnstead if the volume of traffic which I understood he said was going into Newfoundland out of New York just prior to Confederation was not due to the fact that the Newfoundland people were importing

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Mr. Barnstead

American goods in considerable quantities before Confederation and before the coming into effect of the Canadian customs tariffs, and that that would account for the volume at that time, and that now it has dropped --

THE CHAIRMAN: When you say before Confederation, what date have you in mind?

MR. O'DONNELL: The Confederation of Newfoundland, the first of April, 1949.

MR. BARNSTEAD: What you are trying to infer, I think, is that two or three months prior to the entry of Newfoundland into Confederation the ships were extremely heavy. That is not the case; they always were.

MR. O'DONNELL: They always were?

MR. BARNSTEAD: Yes.

MR. O'DONNELL: And as a result of coming into Confederation the importation of American goods has dropped off?

MR. BARNSTEAD: Surely.

MR. O'DONNELL: That is all, thanks.

MR. P. J. LEWIS: Mr. Chairman, I represent Newfoundland, and I would like to ask Mr. Barnstead a question.

Mr. Barnstead, would you tell us how the volume of freight traffic moving out of Halifax and Saint John from April 1949 to date compares with the volume lifted by your ships out of Halifax from April 1948 to the same date?

MR. BARNSTEAD: It has fallen off considerably.

MR. LEWIS: What would the percentage be?

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MR. BARNSTEAD: It is rather difficult to say, but we have had two boats here lately at about a hundred tons; normally they would be anywhere from two hundred and fifty to three hundred tons before this period.

MR. LEWIS: I mean, taking an over-all picture, how does the volume of traffic that you lift over that period compare?

MR. BARNSTEAD: Do you mean by our lines, or all lines?

MR. LEWIS: Furness Red Cross.

MR. BARNSTEAD: Oh, it has fallen off considerably.

MR. LEWIS: That is traffic originating in Canadian ports?

MR. BARNSTEAD: Originating in Halifax or Saint John, yes.

MR. LEWIS: And do you think that North Sydney can handle the volume of traffic that must flow from Canada --

MR. BARNSTEAD: Mr. Lewis, I am not in a position to answer that.

MR. LEWIS: Well, your witness said that the volume of traffic lifted through North Sydney is one-seventh of the total; is that an accurate figure?

MR. BARNSTEAD: I don't know; I can't say; but I do not see how, from the point of view of the situation as it is in North Sydney to-day, and their accommodation and what they have to work with, they can handle a hundred per cent of the traffic through that port. I do not see how it is possible. They haven't the facilities. You must have the

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Mr. Barnstead

facilities to handle cargo, I should think.

MR. DALEY: Mr. Chairman, I would like to correct the speaker, because he referred to what I said. I did not say that the volume of traffic moving through Port aux Basques was one-seventh of the total. What I said was this, that it was my understanding that prior to confederation about one-seventh of the total of the traffic moving from Canada moved through Port aux Basques. I have no means of knowing what it is now, and the figure that I am quoting as one-seventh is purely from memory and it is purely my understanding; it may be entirely inaccurate.

MR. LEWIS: Well, is it your suggestion that the North Sydney facilities can handle another six-sevenths? I do not know which of you is supposed to answer the question, but I would like to get the reaction.

MR. BARNSTEAD: From the point of view of a practical steamship man, I would say they could not handle it. You must have facilities to handle cargo, and I know very well that North Sydney has not got a hundred per cent.

MR. LEWIS: Is the inference, then, that the Newfoundland Railway facilities should be increased accordingly?

MR. BARNSTEAD: I have no remark to make on that at all, sir.

THE CHAIRMAN: Mr. Covert, I think we will adjourn now.

MR. O'DONNELL: I would just like to be sure, my lord, that a number was given to that Hansard.

Mr. Daley
Mr. Williams
Mr. Barnstead

MR. COVERT: You want it put in as an exhibit?

MR. O'DONNELL: Yes; it is Exhibit 45, I take
it.

EXHIBIT NO. 45 -- Hansard of
February 17, 1949.

---The Commission adjourned at twelve fifty-five p.m.
until two-thirty p.m.

(page 3373 follows)

Halifax, N. S.

July 12, 1949.

AFTERNOON SESSION

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: The next submission is that of the Transportation Commission of the Maritime Board of Trade, which will be presented by Mr. Rand Matheson.

MR. FRAWLEY: Before my friend, Mr. Smith, introduces the next witness I should like to make a very brief statement with regard to something that Mr. Sinclair said this morning. I went to the trouble of having it transcribed, and for the sake of convenience I will read what Mr. Sinclair said. Toward the close of the morning session Mr. Sinclair said:

"I think I should say the Canadian National, after the entry of Newfoundland into Confederation, had a route for the movement of traffic at certain rates. The Canadian Pacific did not have such a route. It, therefore, with the assistance of the other carriers, the steamship carriers, set up a route, and on that route made divisions, as is the normal procedure. Otherwise, it would have got no business at all.

How Mr. Frawley could make such a wild statement as he has done, in view of that somewhat simple fact, is more than difficult for me to understand, because it comes down to the question as to whether it is better for us to carry traffic and make some money, or not to carry traffic at all, so that the farmers

of Alberta would have to pay higher freight rates to keep the Canadian Pacific in business than they are doing today."

Mr. Chairman, I want to make it clear that there is more to this question of divisions than may meet the eye at the moment. It is true that the other divisions have been kept as information only passing between the carriers. I recall one time asking the chief traffic officer of the Board about it, and the chief traffic officer of the Board told me that the division sheets were never made public. Thanks to this instance, and it is only an illustration - and I am only interested in this Maritime business of Newfoundland as an illustration - we find now that the Canadian Pacific has made some division with the steamship carriers on a through rate from central Canada to Newfoundland.

I say that the principle involved is this. Is the Canadian Pacific's share of that through rate a compensatory rate or not? Mr. Sinclair says it comes down to the question of whether "it is better for us to carry traffic and make some money or not to carry traffic at all." It is not a question of Mr. Sinclair's word. It is a question for the Commission and for the public, for the people of Alberta if you like, to know whether or not the share which the Canadian Pacific has been content to accept of this through rate is compensatory. I think that is vital. That is the principle that is involved because if it is not compensatory, if they have been driven to do this by the action of the government of Canada in dealing with the Canadian National Railways, these

questions of high policy with which I am not quarreling at all, of course, if because of that the Canadian Pacific has been driven to so divide the through rate from Montreal to St. John's, Newfoundland, so that its share descends to a point where it is not compensatory, then I say that is a matter of great concern to all of the people, all of the users of the railways all over Canada, and it is a matter of interest to this Commission.

Whether or not I am to be allowed to see the division is of comparative unimportance here and now. Whether or not at later sessions Mr. Sinclair's clients will give us that division sheet openly for the record is a matter of secondary importance, but I do say, Mr. Chairman, that it is a matter of great importance to the Commission whether or not these division sheets must continue to be kept secret. I do not use the word "secret" in any improper sense. I mean kept as a matter of railway knowledge alone. Whether that is a sound principle, or whether it is unsound, it hides from the public the important fact as to whether the Canadian carrier's share of the through rate is compensatory, or have they been driven by competition to accept something less than a compensatory rate?

THE CHAIRMAN: You mean if it is a competitive rate then at least it should conform with the principles surrounding competitive rates laid down by Mr. Walker.

MR. FRAWLEY: Laid down by Mr. Walker, and with respect to which some of us will have something to say later. That is precisely the point. I take it it is a competitive rate. I think perhaps one might so describe

it, but it must conform to those essential elements which must be in every rate as to whether or not it is compensatory. That is the importance of it, and that is why I think the Commission must know what the Canadian Pacific Railway is getting to haul that freight to St. John's.

MR. SHEPARD: If I may, I should like to associate myself with what Mr. Frawley has said. It does seem to me to be an important question of principle. As I recall it, Mr. Sinclair said this morning that this division was a private agreement between two private enterprises. In an ordinary business way I would say that was quite in order, but here we have the Canadian Pacific Railway which is subject to regulation by the Board of Transport Commissioners, and is in the nature of a public utility. It does seem to me that as a public utility it must expect its records to be subject to public scrutiny. Whether or not that scrutiny is by the Board of Transport Commissioners, I do not propose to go into that at the moment. However, I certainly endorse what Mr. Frawley has said, namely, that if on the division of the rate the Canadian Pacific in this illustration, should be carrying traffic in a non-compensatory manner, it must mean that the rates in some other parts of the country, assuming that the Canadian Pacific Railway is making its proper profit, are higher than they should be. Therefore we have a vital interest in that as a matter of principle.

THE CHAIRMAN: I think we understand that point. If that is all, we will now hear from Mr. Smith.

MR. SMITH: I propose to ask Mr. Matheson some questions in order to qualify him. He thinks it is rather

invidious that he should dilate upon his own qualifications.

RAND H. MATHESON - Called.

EXAMINED BY MR. SMITH:

Q Mr. Matheson, what is your position?

A I am transportation manager of the Transportation Commission of the Maritime Board of Trade.

Q This organization consists of various boards of trade in the different towns and cities in the Maritime Provinces?

A Yes, there are ninety-four affiliated boards of trade throughout the Maritimes with a membership of between 5,000 and 7,000.

Q How is this Commission constituted?

A This Commission, while under the aegis of the Maritime Board of Trade, is authorized and approved by the three provincial governments, and supported financially by them.

Q When did this Transportation Commission come into existence?

A In 1925. Shortly after the horizontal freight rate increases of the twenties, and before 1920, which reflected on the economic conditions that existed in the Maritimes, a so-called Maritime Rights Committee was formed consisting of businessmen from various parts of the Maritime Provinces. From that inception the Maritime Transportation Commission, with that short term, was evolved.

Q What were the objects of this Association?

A The primary object of the Transportation Commission

is to assist persons and industries in the Maritime Provinces to obtain the best transportation service possible at the lowest possible cost.

Q In general terms what do your activities consist of?

A We act and assist persons and industries throughout the Maritime Provinces in connection with transportation problems of various kinds. In that regard we check over all freight rate tariffs that are issued by Canadian carriers, or I should say most Canadian carriers, and also tariffs issued by American railroads, to ascertain any changes which might have detrimental consequences on industries located on our lines.

In addition to that we also follow the changes which might have an impact in regard to the Maritime Freight Rates Act. If the matter happens to be of a general nature - as an example we will take the whole of the Maritime Provinces - on any rate matter or any transportation matter or question of service, whether by aeroplane, by water or railway, we render our assistance and advise shippers, and if it is of such a general nature that it justifies action on behalf of all the provinces, all persons in the provinces, then we proceed with the matter to the proper regulatory body.

Q Yes, Mr. Matheson; Now, how is the membership of the Commission constituted?

A There are eighteen members, six of whom are ex officio. The voting members are appointed as follows: the Maritime Board of Trade, three from New Brunswick, three from Nova Scotia, and one from Prince Edward Island.

The governments of the Maritime Provinces, two from New Brunswick, two from Nova Scotia and one from Prince Edward Island.

Q Now, Mr. Matheson, coming down for a moment to your own personal qualifications, you have been Manager of the Maritime Transportation Commission since 1925?

A Since 1934.

Q And are you a graduate in commerce from Dalhousie University?

A Yes, having specialized in transportation.

Q When did you graduate?

A In 1929.

Q Have you served with the Transportation Commission continuously since your appointment in 1934?

A I have served with the Transportation Commission as Transportation Manager since that time. During the war I was released to the division of mobilization of humans, materials and resources, Department of National War Services, at their request to serve on a committee of four representing various sections of Canada.

Q Did you have some further connection with war activities?

A I was subsequently lent to the Department of Munitions and Supply at the request of the Wartime Industries Control Board as special assistant to the chairman of that board, first Mr. Henry Borden, C.M.G., and subsequently Mr. Gerald Godsoe, C.B.E. My duties there were in connection with co-ordination of transport controls during the war within the Wartime Industries Control Board.

Q Later did you serve on another Commission.

A Subsequently, or perhaps I should say at the same time that I was more or less finishing off my work with the Wartime Industries Control Board, at the request of the Royal Commission on Coal I was lent to them as Transportation Advisor and served with them until I submitted my report.

Q Did you continue your duties as Transportation Manager for the Maritime Transportation Commission?

A In the meantime I continued my duties as Transportation Manager for the Maritime Transportation Commission.

Q How many years experience do you say you have had in matters of transportation?

A I have had more than twenty years in transportation matters, involving industrial traffic management with the Dominion Steel and Coal Corporation, Commercial Traffic Management, which is the nature of my present work, steamships, five years, etc., and embracing all media of transport in one form or another.

Q Have you appeared before boards or commissions at various times?

A I have made appearances or presented cases on behalf of persons and industries in the Maritimes before the Board of Transport Commissioners, the Interstate Commerce Commission, the United States Civil Aeronautics Board, the Air Transport Board, and I also appeared before the Jones Commission, I think two or three days after my appointment, and also the Sirois Commission.

Q On whose behalf are you submitting your brief?

A At this point I desire to make it clear that the Transportation Committee is not submitting its brief on behalf of the provinces of Nova Scotia, New Brunswick and Prince Edward Island, as it is my understanding that separate briefs will be submitted by each of those provinces.

Q You have a brief which you have filed, and I understand you propose to read it with the permission of the Commission.

A Yes. Mr. Chairman, would it be permissible for me to sit down to read this brief?

THE CHAIRMAN: Yes.

THE WITNESS: I might say that while there are two volumes here I only propose to read volume 1 as I have annotations in connection with volume 2 throughout the brief where I refer to them. I want to thank the Commission for allowing me the extra time between the 15th of June which was the original deadline, and the first of July, as it facilitated us tremendously in preparing our brief. I would have liked to have had more time, but perhaps you would have had another volume. Mr. Chairman, there are some errata as to which we have now sent in extra sheets. It was impossible for us to proofread our report, as clearly as we wished, in the time we had available. With your permission I will sit down to read, and I will start with the introduction.

SUBMISSION OF THE TRANSPORTATION COMMISSION
OF THE MARITIME BOARD OF TRADE TO THE ROYAL
COMMISSION ON TRANSPORTATION

INTRODUCTION

The first part of this brief is directed

principally to Section 2(a) of the Terms of Reference to the Royal Commission under Order in Council P.C. 6033, dated December 29, 1948, although references will be made also to some relevant matters which will be developed more fully under Sections 2 (b) to 2 (f) inclusive of the Order in Council in Parts Two to Six inclusive of this brief under the following headings:

- Part Two - The Regulation of Rates under the Railway Act;
- Part Three - The Capital Structure of the Canadian National Railways
- Part Four - In the Matter of the Present Day Accounting Methods and Statistical Procedures;
- Part Five - The Canadian National-Canadian Pacific Act 1933;
- Part Six - Transportation Legislation and Other Features of the Railway Act under Changed Conditions.

It cannot be gainsaid that transportation exerts a tremendous influence upon the location and development of economic enterprise. Indeed, the transportation factor is one of the most important criteria in the locational pattern of industry. In so far as the Maritime Provinces are concerned events and pronouncements prior to Confederation, Section 145 of the British North America Act, Government policy in respect of rates on the Intercolonial Railway prior to World War 1, the findings of the Royal Commission on Maritime Claims, and the Maritime Freight Rates Act, 1927, indicate that one of the principal desiderata for the economic development of the Maritime Provinces within the man-made political boundary of Canada is efficient low-cost transportation to obviate distance

in an artificial east-west pattern. A reasonably fair participation of the Maritimes^{*} in the economic development of Canada dictates that, relatively and absolutely transportation costs must be kept at a minimum. The transportation factor is inextricably involved in the extent to which the products of the Maritimes from fishing, mining, agriculture, forestry and manufacturing, can participate more or less in the Canadian and United States markets. A disadvantage in rates to Maritime producers, as compared with other producers variously situated, requires a compensating advantage.

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* For the purpose of this Brief the words "Maritimes", "Maritime", or "Maritime Provinces" include the Provinces of Nova Scotia, New Brunswick and Prince Edward Island.

The extent to which there has been and will be exploitation of the fishing, mining and agricultural resources of the Maritime Provinces, commensurate with the economic development of Canada as a whole, has been and will be determined by the cost of transportation from various other sources of supply to the principal markets, relative production costs, location of the markets, pricing policies of producers located elsewhere, and national and international trade policies.

Variations in the relative prosperity of fishing, agriculture, mining, forestry and manufacturing in the Maritimes, have resulted from differences in the laid-down costs of these products, and the quality of services as compared with those of other sources of supply. Subventions on coal, for example, and the Feed Grain Freight Assistance Policy constitute arrangements to remove the disadvantage of distances and, consequently, to encourage production. The economic development which has taken place in Canada since Confederation has indicated a tendency for manufacturing to be located close to the market. Industrial agglomeration, assisted by the National Policy, is evident in the Central Provinces of Ontario and Quebec where more than sixty per cent of Canada's population is located.

The relatively limited market in the Maritimes for manufactured products has had the effect of restricting the fabrication of materials on a large scale, and in instances in which some success has been manifested it has been due to either:

- 1. The insignificance of the transportation factor in relation to value and/or consumer demand; or

2. The preponderant importance of the material resources; or
3. The relatively low production cost with which the industry has been favored, thus enabling the absorption of differences in transportation.

Some manufacturing industries have established near the raw materials because, among other reasons, the loss in conversion in the manufacturing process is sufficiently great to offset transportation costs.

The increasing concentration of industry in Quebec and Ontario has also induced improved transport services by the various media. Consequently, schedules are generally faster, more convenient, and frequent. This better quality of service is of advantage in that it enables a greater degree of correlation with production schedules, less absorption of working capital in goods in transit, and a reduction in storage requirements. Moreover, the greater degree of competition between carriers has resulted in reductions in transportation costs. Industries outside this pale of concentration and competition not only must face an improved freight rate advantage enjoyed by their competitors in the principal markets but also must allow for their disadvantages stemming from improved and greater flexibility of transport services in a competitive area.

While complete statistical returns are lacking to indicate the dependency of the Maritimes' economy on foreign markets there exist sufficient data to establish that, with some exceptions, foreign markets have been an important outlet for a large proportion of the Maritimes' production. However, it is patent that the existence

of foreign markets is highly vulnerable to the vicissitudes of trade policies of other countries and international conditions, thus making it essential for the Maritimes to seek and develop, to an increasing degree, an outlet in Canada for as much of their production as possible. Canadian markets are essential not only to enable participation in the development of the country, but also to supply the wherewithal to purchase requirements for a reasonable standard of living commensurate with Canada as a whole.

To obtain access to the markets of other parts of Canada has posed a problem for the Maritimes since Confederation. A competitive handicap has existed for the Maritimes to the extent that the cost of transportation to the highly competitive markets of Canada is generally higher than from the more adjacent sources of supply. This disadvantage, in effect, may be considered as a cost of production which can be obviated, in part or "in toto," by either:

1. Quality production and efficiency; or
2. A sacrifice of labour and/or capital; or
3. Public aid in the form of protection in the case of imports; or
4. Reduced or assisted transportation charges directed to an extension of what would otherwise be purely a limited and an uneconomic local market.

The Maritime Freight Rates Act, 1927, had the intended effect of correcting partially the relative freight rate situation which had been destroyed by freight rate revisions and horizontal percentage rate increases between the years 1912 and 1927. However,

since the Act was implemented, and for the most part during the period 1930 to 1939, improved highways concomitant with the increased utilization of motor trucks and the development of a highly competitive transport situation in general -- particularly in the Central Provinces -- have resulted in improved services and rate reductions in that territory which have in some cases nullified the rectifications intended by the Maritime Freight Rates Act. Since World War II, while there have been indications of increasing motor truck competition, the lack of complete statistical returns on motor truck transport in Canada makes it difficult to appraise the existing Canadian situation. Yet the increased number of trucks in operation in Canada, compared with 1939, gives rise to a reasonable presumption that motor truck competition in the future can be expected to be more pervasive than ever.

I have some figures. In the year 1939, total motor-truck registrations in Canada were 231,474. Vis-a-vis 1947, the total number was 425,803, an increase of 194,329, or 83.5 per cent.

MR. SINCLAIR: Q. Is that for motor trucks only?

A. That is for motor trucks, according to the 1939-47 D.B.S. Reports. The percentage increase is 83.5%.

It is of significance that the railways in Canada, in the face of potentially increased competition from other transport media, have in both of their applications for increased rates since the termination of World War II sought horizontal percentage increases (except in the case of coal and coke which have been increased, and which the railways propose to increase

further, by flat maximum amounts.)

The Royal Commission on Maritime Claims deplored the method of increasing rates by straight horizontal percentages, particularly in the case of rates on long-distance traffic and heavy commodities. The method of obtaining the increased revenues by uniform horizontal percentages would indicate a further shifting of the burden on the payers of freight dependent upon long-distance hauls for the source of consumer goods and markets while maintaining a limitation in the increases in competitive rates on high valued goods. During the period of a seller's market, with relative scarcities and inflated prices which have prevailed generally since the termination of World War II, relatively higher transportation costs might either be passed on to the consumer or be absorbed within the margin made possible by the higher prices of competitors. It is when there is a shift from a seller's market to a buyer's market, and when supply matches or increases beyond demand, that the full effects of horizontal percentage increases become manifest, particularly in the case of industries dependent upon long-distant markets in competition with those more favourably situated.

The applications of the Railway Association of Canada in 1946 and 1948 for uniform percentage increases would indicate that the railways are looking more and more towards long-haul freight traffic for increased revenue to offset the deterioration in returns from other sources, such as short hauls, passenger traffic, and ancillary services held down by competitive forces.

The interests of the Maritime Provinces run

contra to such rate increases on long-haul traffic, and other unfavourable changes, which not only worsen relatively the competitive position of Maritime Industries in the markets of Canada, but also increase relatively consumer and producer costs.

The economic history of the Maritimes dictates that rate adjustments which tend to be restrictive and shrink the competitive distributing area of Maritime production, or depress further the relative standard of living in these provinces, must be avoided if possible or, if adjustments are necessary, be balanced in the process.

Since Canada can exert only very limited influence over world trade policies, and since the economy of the Maritimes has already experienced adjustments and curtailments stemming from decisions of other trading nations, and restrictions associated with the maintenance of foreign exchange balances, it therefore becomes of paramount importance to the economy of the Maritimes that national policies be directed in every way possible to the lessening, rather than the worsening, of its economic position.

The problem which confronts the Maritime Provinces therefore requires the determination of measures, the implementation of which will tend to facilitate a more commensurable participation of the Maritimes in the economic development of Canada as a whole.

PART ONE

The Importance of the Transportation Factor in the
Maritimes' Economy and the Impact and Effects of
Freight Rate Increases

"Review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada."

(Section 2(a) Order in Council P.C. 6033, dated December 29, 1948.)

1. Historical, Economic and Political Background in
Relation to Transportation Services of the Maritime
Provinces

(a) The Intercolonial Railway and Confederation

The Intercolonial Railway is a "condition precedent" of Confederation without which there would have been no union of the Provinces in 1867. I wish to point out that I am going over this historical background because it is a direct precedent to what follows in my basic recommendations and other parts of my brief. In other words, it is basic to the whole question of freight rates in the maritime provinces. This fact has been repeatedly confirmed in historical studies and findings of Royal Commissions. As there exist substantive evidence, findings, and indeed, statutory recognition that the Intercolonial Railway is a "sine qua non" of Confederation it should be sufficient merely to quote some pertinent and related resolutions, terms, and enactments associated directly or indirectly with the Intercolonial Railway.

The first of these are two resolutions passed at the Quebec Conference in 1864, which read:

"The General Government shall secure, without delay, the completion of the Intercolonial Railway from Riviere-du-Loup through New Brunswick to Truro, in Nova Scotia."

and

"The communications with the North-West Territory, and the improvements required for the development of the Trade of the Great West with the Seaboard, are regarded by this Conference as subjects of the highest importance to the Federated Provinces, and shall be prosecuted at the earliest possible period that the state of the Finances will permit."

Then again at the London Conference in 1865 the following Resolutions, known as No. 65 and No. 66, were passed:

"No. 65. The construction of the Intercolonial Railway being essential to the consolidation of the Union of British North America, and to the assent of the Maritime Provinces thereto, it is agreed that provision be made for its immediate construction by the General Government, and that the Imperial guarantee for £3,000,000 sterling pledged for this work be applied thereto, so soon as the necessary authority has been obtained from the Imperial Parliament."

"No. 66. The communication with the North-Western Territory, and the improvements required for the development of the trade of the great west with the Seaboard, are regarded by this Conference as subjects

of the highest importance to the Confederation, and shall be prosecuted at the earliest possible period that the state of the finances will permit."

In order to give effect to Resolution No. 65 above and the corresponding Resolution of the Quebec Conference Section 145 was included in the British North America Act, and reads:

"145. Inasmuch as the Provinces of Canada, Nova Scotia, and New Brunswick have joined in a Declaration that the Construction of the Intercolonial Railway is essential to the Consolidation of the Union of British North America, and to the Assent thereto of Nova Scotia and New Brunswick, and have consequently agreed that Provision should be made for its immediate Construction by the Government of Canada: Therefore, in order to give effect to that Agreement, it shall be the Duty of the Government and Parliament of Canada to provide for the Commencement within Six Months after the Union, of a Railway connecting the River St. Lawrence with the City of Halifax in Nova Scotia, and for the Construction thereof without Intermission, and the Completion thereof with all practicable Speed."

In compliance with Resolution No. 65 of the London Conference and Section 145 of the British North America Act there were passed in 1867 two Acts -- one by the Imperial Government,* "The Canada Railway Loan Act, 1867," and the other by the Government of Canada, "An Act Respecting the Construction of the Intercolonial

* The Imperial Act gave effect to Resolution 65 of the London Conference.

Railway."

It is of interest to note also that the Imperial Act contained a stipulation to the effect that there must be an Act of the Parliament of Canada within two years after the Union providing to the satisfaction of one of Her Majesty's principal secretaries of State,

"(1) For the construction of the railway;

"(2) For the use of the railway at all times for Her Majesty's military and other services."

The Preamble to The Intercolonial Railway Act makes specific reference to the Imperial Act and to the notation therein guaranteeing "interest on a loan to be raised by Canada towards the construction of the Intercolonial Railway, connecting the Port of Riviere du Loup in the Province of Quebec, with the line of railway leading from the City of Halifax in the Province of Nova Scotia, at or near the Town of Truro, on certain conditions therein mentioned."

Two important sections of The Intercolonial Railway Act 1867 were the following:

"2. The said railway shall be a public work, belonging to the Dominion of Canada; and shall be made with a gauge of five feet six inches, and on such grades, in such places, in such manner, with such materials and on such specifications as the Governor-in-Council shall determine and Appoint as best adapted to the general interests of Canada."

"25. Whenever the Railway, or any portion thereof, shall be completed, it shall be lawful for the Governor-in-Council to make suitable arrangements for the working of same; but such arrangements shall not be for any longer period than the end of the

of the Session of Parliament next after making of same."

In respect of Prince Edward Island, they are going to refer to this specifically, and, no doubt, Newfoundland, to their particular terms.

When Prince Edward Island and Newfoundland entered Confederation in 1873 and 1949 respectively the Terms of Union provided important conditions respecting transportation matters. In the case of Prince Edward Island the Terms of Union contain the following:

"The Dominion Government shall assume and defray all the charges for the following services; viz., -

"Efficient steam service for the conveyance of mails and passengers, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in continuous communication with the Intercolonial Railway and the railway system of the Dominion;

"The maintenance of telegraphic communication between the Island and the mainland of the Dominion;

"And such other charges as may be incident to, and connected with, the services which by the 'British North America Act, 1867' appertain to the General Government, and as are or may be allowed to the other Provinces;

"That the railways under contract and in course of construction for the Government of the Island, shall be the property of Canada."

As to Newfoundland, the Terms of Union signed on December 11th, 1948, included the following provisions respecting transportation facilities and services:

"31. At the date of Union, or as soon thereafter as practicable, Canada will take over the following services and will as from the date of Union relieve the Province of Newfoundland of the public costs incurred in respect of each service taken over, namely, ,

"(a) the Newfoundland Railway, including steamship and other marine services;

"(d) civil aviation, including Gander Airport;"

"32. (1) Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Cornerbrook and Port aux Basques, will include suitable provision for the carriage of motor vehicles.

"(2) For the purpose of railway rate regulation the Island of Newfoundland will be included in the Maritime region of Canada, and through-traffic moving between North Sydney and Port aux Basques will be treated as all-rail traffic;

"(3) All legislation of the Parliament of Canada providing for special rates on traffic moving within, into, or out of, the Maritime region will, as far as appropriate, be made applicable to the Island of Newfoundland."

"33. The following public works and property of Newfoundland shall become the property of Canada

when the service concerned is taken over by Canada, subject to any trusts existing in respect thereof, and to any interest other than that of Newfoundland in the same, namely,

"(a) the Newfoundland Railway, including rights of way, wharves, drydocks, and other real property, rolling stock, equipment, ships, and other personal property;

"(b) the Newfoundland Airport at Gandar, including buildings and equipment, together with any other property used for the operation of the Airport;"

The Terms of Union with Newfoundland necessitated amendments to Canada's Statute Law, and one finds in Bill 12, passed by the House of Commons on February 17th, 1949, and subsequently given Royal assent, the following section required by Term 32 -

"13. (1) Subject to this section, the Maritime Freight Rates Act, Chapter seventy-nine of the Revised Statutes of Canada, 1927, applies mutatis mutandis to all lines of railway in the Island of Newfoundland that are subject to the legislative authority of the Parliament of Canada.

"(2) For the purpose of the said Act the lines of railway situated within the Island of Newfoundland, including the steamship services between Port aux Basques and North Sydney, that are entrusted to the Canadian National Railway Company for management and operation shall from the date of and during the period of such entrustment be deemed to be included in the lines of railway

collectively designated as the 'Eastern lines', the Island of Newfoundland shall be deemed to be included in the expression 'select territory' and through traffic moving by water between Port aux Basques and North Sydney shall be treated as all rail traffic.

"(3) Upon entrustment to Canadian National Railway Company of the lines of railway mentioned in subsection two, Canadian National Railway Company shall forthwith file with the Board of Transport Commissioners for Canada tariffs of tolls applicable to the carriage of traffic within, to and from the Island of Newfoundland and such tariffs, in so far as preferred movements are concerned, shall comply as far as appropriate with the provisions of the said Act.

"(4) Notwithstanding the provisions of sections three hundred and thirty, three hundred and thirty-one, three hundred and thirty-four and three hundred and thirty-five, of the Railway Act, the tariffs initially filed under subsection three shall be effective from the date of entrustment."

For thirty years before Confederation an inter-colonial railway was mooted. Numerous routes were proposed and surveyed. While the Provinces remained separate there is no doubt an intercolonial railway did not offer much inducement as a successful commercial enterprise. Because of this a political and economic union was considered essential to the construction of a railroad connecting the provinces. Historians are generally agreed that there would not have been any

Confederation in 1867 without an Intercolonial Railway. When Confederation disposed of the question of the construction of the Intercolonial the controversy over an acceptable route that had been smoldering in the background broke out anew. The Imperial Government, for military and strategic reasons, preferred the route known as "Robinson's Line" or the northern route, and in view of the stipulation of the Canada Railway Loan Act the wishes of the Imperial Government carried considerable weight. However, in order to settle the controversy that existed Sir Sandford Fleming, the engineer who had been appointed in charge of the construction, was asked for his opinion and in 1868 he finally reported in favour of the northern route because of the circumstances which prevailed, and also, no doubt, in deference to the military and strategic dictates of the Imperial Government.

As to the circumstances which prevailed, there was a railroad mooted from St. John to Bangor, Maine. He was also interested in the Bay Chaleur angle as a possible route or channel for developing export-import through-traffic. However, the chief consideration that Sir Sandford Fleming had in mind was through traffic.

Considerable doubt was expressed at the time that the Intercolonial Railway would ever be a paying proposition. It was generally conceded that the Intercolonial Railway as a commercial enterprise did not possess any considerable merit. This fact is confirmed in the observation of Professor G. P. deT. Glazebrook on the debates in the Legislature of Canada as follows:

"In fact the legislature was fully warned that either the Intercolonial would have to be subsidized to allow artificially low rates, or else it would not be used sufficiently to make it pay. The critics of the railway had, in fact, touched one of the fundamental problems of Canadian transportation and uncovered difficulties which were blissfully ignored half a century later." (2)

"The Intercolonial was not, directly, a sound financial proposition; it never was really thought to be so; and never became so. It was, however, an integral part of the federation scheme." (3)

The Intercolonial Railway from Truro to Riviere du Loup was completed for operation on July 1, 1876. For military and strategical reasons the railroad, as finally constructed, was approximately 250 miles longer than would be necessary to connect the cities of the Maritime Provinces with those of the St. Lawrence had commercial considerations been controlling. (4)

(Page 3405 follows)

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- (2) A History of Transportation in Canada (Ryerson Press), p. 200.
 - (3) Ibid, p. 201.
 - (4) Sir Sandford Fleming - History of the Intercolonial Railway, Chapter 6, page 77.

It is abundantly clear from the events and pronouncements at the time that an intercolonial railway by the shortest route would not be attractive as a commercial enterprise without union, and that the Intercolonial by the longest route would not be a successful commercial enterprise with union.

It is not necessary to quote in detail the declarations of some of the Fathers of Confederation with reference to the Intercolonial Railway as an inducement to the Maritime colonies to enter the political union, nor is it necessary to question here whether those pronouncements were made in other than good faith and sincerity. It should be sufficient to refer to but a few excerpts from addresses made between the time of the Quebec and London Conferences to indicate further that the Intercolonial Railway was not looked upon as commercially feasible.

In addresses at Halifax in September, 1864, Sir John A. MacDonald, Hon. A. T. Galt and Hon. Etienne Cartier said as follows:

Sir John A. MacDonald - "I don't hesitate to say that with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the Colonies. It cannot

be denied that the Railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada."

The Hon. Mr. Galt - "The railway is not to be looked upon as a question of cost but as a bond of union that will unite us in peace and in time of

need."

Hon. Etienne Cartier - "Let me assure you that the promises we make are made in all sincerity and good faith - in urging union upon you we believe we are doing that which will be for your happiness and prosperity."

The historical background of the purpose and intent of the Intercolonial and some of the events and circumstances leading to its construction were succinctly summarized by the Royal Commission (commonly known as the Duncan Commission) in its finding on Maritime claims after a "balanced study of the events and pronouncements prior to Confederation"⁽⁵⁾, which reads -

"(a) That leading Canadian statesmen in urging the adherence of the Maritime Provinces to Confederation defined the purposes of the railroad to be

"(i) A means of affording to Canadian merchandise, and to Canada herself in times of national and imperial need, an outlet and inlet on the Atlantic ocean - available all the year round - and

"(ii) To afford to Maritime merchants, traders and manufacturers, a market of several millions of people instead of their being restricted to the small and scattered populations of the Maritimes themselves, particularly in the light of the disturbance with which their trade

(5) Report of the Royal Commission on Maritime Claims, pp. 20, 21.

was threatened as the result of the discontinuance by the United States of the reciprocal arrangements that had prevailed.

"(b) That strategic considerations determined the actual course of the line - making it many miles (estimated by Sir Sandford Fleming at 250 miles) longer than was necessary - if the only consideration had been 'to connect the cities of the Maritime Provinces with those of the St. Lawrence.'

"(c) That to the extent that commercial considerations were subordinate to national, imperial and strategic considerations, the cost would be borne by the Dominion and not by the traffic that might pass over the line."

Inasmuch as either the essence or the actual wording of this finding is contained in the Preamble of the original Maritime Freight Rates Act 1927 it has, in effect, obtained statutory recognition.

Incidentally, the preamble was left out of the Revised Statutes of 1927 along with other preambles, and in one of the cases with reference to the Maritime Freight Rates Act direct reference was made to the preamble by one of the Supreme Court Judges. I will check that up later on when I come to it.

Incidentally, I have given a copy of the preamble to Mr. Hunter, and if he is desirous to read it into the record that could be done.

(b) The Intercolonial and Resolution 66 of the
London Conference.

Considerable controversy had taken place as to the correct interpretation of Resolution 66 of the London Conference and the corresponding resolution of the Quebec Conference in relation to the Intercolonial Railway and traffic through Maritime ports. Whatever is the origin of Resolution 66 it is of significance that it followed immediately after the section concerning the Intercolonial Railway. It would appear that the two resolutions were closely inter-related. Apparently that was the impression obtained by Professor G. P. deT. Glazebrook, as he states -

"The Intercolonial had to be promised, and promised definitely, if the negotiations were to have any hope of success. On the other hand, the far west was remote from the Maritime Provinces, and, while the second resolution was phrased so as to suggest an increased use of their ports, it would not have been acceptable in the form of a binding agreement. Nor was the pressure of opinion in Canada such as to make a guarantee of western communications politically necessary." (6)

Notwithstanding the views of the Royal Commission on Dominion-Provincial Relations apropos of the purpose and intent of Resolution 66 of the London Conference, and whether or not the resolution imposed any obligation, contractual or otherwise, upon the Dominion Government, it can be expected that there will justifiably exist strong opinions in the Maritime

(6) "A History of Transportation in Canada"

(Ryerson Press), p. 198.

Provinces that this famous and controversial resolution has direct reference to the encouragement of a year round utilization of Maritime Ports for and by Canada as a nation.

(c) The Intercolonial as a Separate Operation.

Representations have been made to the Duncan Commission, Nova Scotia's so-called Jones Commission, and the Sirois Commission, that in the transportation interests of the Maritime Provinces the Intercolonial Railway should be divorced from the Canadian National Railways and operated as a separate railway. Indeed, before the Sirois Commission the Province of New Brunswick contended that the transfer of the Intercolonial to the Government Railway System resulted in the breaking of an understanding dating from Confederation "that the road would be operated in perpetuity by the Government" and would be "kept separate and distinct from all other railways. The transfer, it was argued, resulted in the railway being run as a "commercial operation, which is entirely contrary to the scheme of Confederation."

THE CHAIRMAN: Q. Where is that to be found?

A. That quote, sir?

Q. Yes.

A. That is to be found in the submission of the Province of New Brunswick to the Sirois Commission. I unfortunately did not give the page number, but I will check it up.

MR. O'DONNELL: Q. The Province of New Brunswick?

A. Yes, in the brief of the Province of New Brunswick.

THE CHAIRMAN: Q. The reference is to an understanding dating from Confederation, and it quotes, "that the road would be operated in perpetuity by the Government."

A. Yes, those are direct quotes from that brief, sir.

Q. You suggest quotations from the brief?

A. Yes, sir, of the New Brunswick Government.

Q. Not from any recorded agreement?

A. No, sir; that was their contention, Mr. Chairman.

The Sirois Commission did not consider "well-founded" the representations of the New Brunswick Government regarding the separate operation of the Intercolonial Railway. In support of its findings the Commission referred to the plan suggested by Sir John A. MacDonald to have the Grand Trunk operate the railway; the implication being that if a transfer could be made to a private company in 1876 then there could not have existed any definite agreement as to the actual operation of the Intercolonial. (7) It is evident from the Intercolonial Act that the Governor-in-Council was given absolute power as to the operation of the Railway when completed, but the railway was to be "a public work, belonging to the Dominion of Canada." In other words, it appears that only the actual running operation could be transferred to another railway.

The suggested plan of Sir John A. MacDonald regarding the operation of the Intercolonial by the Grand Trunk Railway on its completion has no probative value. On the other hand, what actually took place is more significant and important as it evidently reflects what

was expected in the Maritimes - an operation as a public work.

As the general conviction, even before the construction of the Intercolonial Railway, was that unremunerative rates would have to be assessed in order to develop traffic, it is abundantly clear that no private company would have undertaken to run the railway without a Government subsidy. The only other alternative was Government operation.

The Sirois Commission dismissed the renewed claims by adopting the finding of the Duncan Commission, predicated on conditions and circumstances as the latter Commission found them, to the effect that on the basis of the "broad measuring" of a twenty per cent reduction, as recommended, it would restore "the original purposes of the Intercolonial Railway as interpreted by the freight rate structure prior to 1912, without withdrawing it from the consolidated system of National railways." The Duncan Commission considered the latter step would be retrogressive. (8)

On the other hand, the Nova Scotia Royal Commission on referring to the representations made to it that the undertaking of the President of the Canadian National Railways to maintain a closer contact with the Maritime Provinces had not been "fully carried out in spirit and in letter," (9) emphasized that unless the undertaking

(8) See Report of the Royal Commission on Maritime Claims, P. 23, and Report of the Royal Commission on Dominion-Provincial Relations, Book 11, p. 254.

(9) Report of the Royal Commission Provincial Economic Inquiry, p. 86. See also Duncan Commission Report, P. 24.

were complied with "the question will arise in Nova Scotia as to the desirability of operating the Intercolonial Railway as a separate entity." The recommendation was then made "that the attention of the Canadian National Railways be drawn to the failure to implement the undertaking alluded to, and would stress again the need for a 'closer and more ready contact' between the railway administration and the Province of Nova Scotia."

The entrustment of the Canadian Government Railways, including the Intercolonial, to the Canadian National Railway Company has possibly redounded in benefits stemming from the integration of the physical plant and its operation. However, it is to be stressed that transportation conditions and circumstances have changed materially since the time of the Duncan Commission finding, and while a segregation to-day of the physical plant might still be considered retrogressive, this would not necessarily be so in respect of rate matters.

(10)

A plan is detailed in this brief which, if adopted, should meet the objections against the divorcement of the Intercolonial from the National system by retaining any benefits stemming from an integrated operation but which at the same time, in conjunction with other proposals, should go a long way in restoring the purpose and intent of the Intercolonial Railway in the light of changed conditions and circumstances.

(d) Terms of Union with Prince Edward Island.

The two principal reasons for the entrance of Prince Edward Island into Confederation in 1873 were the guarantee of year-round communications with the mainland and the adoption of the debt incurred for railroad construction. While communications with the mainland and rail services have been progressively improved, considerable dissatisfaction has prevailed over the restrictive effect of tolls assessed on commercial motor vehicles on the Borden-Cape Tormentine (11) Ferry, and the existing rate zone arrangements on Prince Edward Island in respect of long haul traffic. A proposal to remedy the latter situation will be (12) developed later in this brief.

In respect of the tolls on commercial motor vehicles, an adjustment was effected on July 1st of this year which I believe fairly well resolves the complaints and grievances in that respect.

Terms of Union with Newfoundland.

No specific mention is made in Section 32 of the Terms of Union with Newfoundland of the Maritime Freight Rates Act, although it is evident from Section 13 of the Act to amend the Statute Law in order to implement the Terms of Union of Newfoundland with Canada that subsections (2) and (3) were drafted in order to obtain the benefits of the Maritime Freight Rates Act and any

(11) Effective July 1, 1949, the charges for motor trucks and load established on the same basis as between Caribou and Wood Islands - thus removing a grievance of long standing.

(12) Page 101 of Brief.

other special rate arrangements that are in effect, such as the Feed Grain Freight Assistance Policy, or any others that might be established in future. The Newfoundland Railway has been reported as incurring operating deficits in most years, and as of April 1st, 1949, any deficits of the operation, together with payments under the Maritime Freight Rates Act, are to be included in the arbitrary breakdown of accounts for "Eastern Lines."⁽¹⁴⁾

(f) Intercolonial Railway, Its Subsidiaries, and
Canadian Government Railways in the Maritimes

The dependency of the Intercolonial Railway for access into Montreal and points west upon the Grand Trunk was not considered satisfactory, and consequently there

(13) Since 1924 the Newfoundland Railway has incurred an operating deficit each year with the exception of 1937, 1941, 1942, 1943 and 1944. In 1948 the deficit was \$1,970,414 - D.B.S. Study, 1949.

(14) "Eastern Lines" is defined in Section 2 of the Maritime Freight Rates Act as follows: - "For the purpose of this Act the lines of railway now operated as a part of the Canadian National Railways and situated within the provinces of New Brunswick, Nova Scotia and Prince Edward Island, and the lines of railway, similarly operated, in the province of Quebec extending from the southern provincial boundary near Matapedia and near Courchesne to Diamond Junction and Levis are collectively designated as the "Eastern Lines."

followed purchases and arrangements from 1879 to 1899 which included the acquisition, in 1879, of the line from Riviere du Loup to Hadlow opposite Quebec with running rights to Point Levis, the purchase of the Drummond County Railway from Chaudiere Junction to Ste. Rosalie Junction, together with running rights over the Grand Trunk into Montreal. One of the stipulations in the purchase price of the Riviere du Loup to Hadlow segment, amounting to \$1,500,000., was that this money was to be "devoted towards obtaining an independent Railway connection from Sarnia to Chicago" which connection "virtually confers the same advantages

(Page 3415 follows)

to the Intercolonial Railway system, owing to its close connection with the Grand Trunk." In the period 1889 to March 31st, 1919, other railroads acquired and included in the Intercolonial system increased the operations to 2,206 miles as indicated in Table 1:-

TABLE 1

	(15) Miles as at <u>March 31, 1919</u>
Intercolonial Railway proper.....	1,564
Prince Edward Island Railway.....	276
International Railway of New Brunswick	110
Moncton & Buctouche Railway.....	30
Elgin & Havelock Railway.....	26
Hampton & St. Martins Railway.....	29
York & Carleton Railway.....	6
Salisbury & Albert Railway.....	45
St. John & Quebec Railway (under lease to C.G. Rlys.)	<u>120</u>
	<u>2,206</u>

In the period between 1919 and 1931 the Canadian Government Railway System and the Canadian National Railway Company took over the following railways:-

(15) See p. 43 of Annual Report of Department of Railways and Canals for year ending March 31st, 1919.

TABLE 2.

	<u>Date</u>	<u>Miles</u>
Caraquet & Gulf Shore		
(Canadian Govt. Railway System)	June 1, 1920	79.7*
Cape Breton Railway		
(Canadian Govt. Railway System)	July 1, 1920	25.5*
Inverness Railway & Coal Co.		
(Canadian Nat. Railway Company)	Aug. 8, 1929	60.53
Kent Northern		
(Canadian Nat. Railway Company)	Sept.1, 1929	26.60
St. John & Quebec Railway		
(Canadian Nat. Railway Company)	Sept.3, 1929	157.84
Quebec Oriental Ry. Co. and the Atlantic		
(Canadian Nat. Railway Company)	June 1, 1929	100.09
Quebec & Western Railway		
(Canadian Nat. Railway Company)	June 1, 1929	<u>102.16</u>
		<u>552.42 (16)</u>

* Approximate main line mileages.

In addition to the above acquisitions to what is defined in Section 2 of the Maritime Freight Rates Act as Eastern Lines there was constructed in 1929 the Lake Verde Sub-division on P.E.I. to the account of the Prince Edward Island Railway Co.

(16) Newfoundland Railway entrusted to Canadian National Railway Company on April 1, 1949, representing an additional main line mileage of 548.

It is patent from the above that in the territory embracing the "Eastern Lines" the Canadian Government acquired a substantial mileage of railroads tributary to the Intercolonial proper. The unsatisfactory service of the adjoining railroads, concomitant with their financial condition, had precipitated a strong public demand for Government acquisition. In the period 1929 to 1934 inclusive the group of railroads consisting of the Quebec Oriental Railway and the Atlantic, Quebec and Western Railway, Inverness Railway, Kent Northern Railway and the St. John & Quebec Railway, had an average annual income deficit of \$1,130,340.⁽¹⁷⁾ The increased burden on the Canadian National Railway Company of those four railroads, together with other acquisitions in 1929, were noted by the so-called Duff Commission which in its report expressed the belief "that it would have been better had the Government assumed this burden directly and thus avoided saddling the railways with capital charges and operating expenses resulting from the purchase of railways based solely on a public policy."⁽¹⁸⁾

(17) Minutes of Proceedings of the House of Commons
Railway Committee, April 4th, 1935.

(18) Report of Royal Commission to Inquire into
Railways and Transportation (1932) pp. 22-23.

The narrow gauge Newfoundland Railway which, together with its ancillary steamship services, was entrusted to the Canadian National Railway Company for management and operation on April 1, 1949, in compliance with the Terms of Union, has been a financial burden on Newfoundland. This burden will be reflected in the accounting of the Eastern Lines now required by Section 6 of the Maritime Freight Rates Act and, in addition, the reimbursements to the railroads stipulated by the provisions of that Act will be materially increased. This additional acquisition of the Canadian National Railways constitutes another milestone in the furtherance of a policy to promote national integration, and the cost of this policy must be appraised for what it is in the interests of the country as a whole and not as a subsidy to any particular region.

The Canadian Government Railways, consisting principally of the Intercolonial and the subsidiaries acquired to form an integrated system, the Prince Edward Island Railway and the Eastern Lines segment of the National Transcontinental (19) (to the exclusion of the branch

(19) There exists no doubt that the failure of the Maritimes to participate to any appreciable extent in the increasing flow of export and import traffic associated with the development of Canada, and particularly of the West, was instrumental in stipulations for the encouragement of traffic through Canadian channels and Ocean ports being incorporated in the agreement ratified by Parliament in 1903 between the promoters of the Grand Trunk Pacific Co. and the Government respecting the National Transcontinental Railway (also in the Acts respecting Aid towards the construction of the Canadian Northern Ontario Railway (1911) and respecting the Canadian Northern Railway (1914)).

The segment of the National Transcontinental Railway between Moncton and Quebec was constructed in order to obtain the support of the Maritimes to the National Transcontinental Project. Quebec was the Eastern terminal originally proposed. Construction was commenced in 1905, and in January, 1913, operations were commenced between Moncton and Edmundston. The following year the line was joined to the Intercolonial at Diamond Junction (near Levis).

lines saddled on the system from time to time) and now the Newfoundland Railway are properly classified as public works constructed, acquired and operated because of the dictates of a broad national policy.⁽²⁰⁾ The outlays for these railroads are, in many respects, no different than capital and operating expenditures on highways, airports, harbours and canals, constructed in the public interest and at the taxpayers' expense. It is difficult, if not impossible, to estimate the benefits - direct and indirect - redounding to the country as a whole from the expenditures for such facilities and services on broad national grounds. It follows that any deficits resulting from expenditures predicated on broad national policies certainly should not be labelled territorially and treated in any manner as a regional subsidy, nor as a basis for increased revenues to meet such expenditures. The burden should be directly borne by the Dominion Government.

(g) Canadian Government Railways Within the
Canadian National Railways

The titles "Canadian Government Railways" and "Canadian National Railways" are merely generic or

(20) The Royal Commission to Inquire into Railways and Transportation in Canada (1932) stated at pages 76 and 77 as follows: "Besides forming the original link in what has since become the extended and multiple chain of railway communication that connects from east to west the geographically disjointed belt of Canadian Confederation, the Intercolonial continues to serve as the principal purely Canadian outlet, available throughout the year, to the Atlantic seaboard. So if today the Intercolonial, forming with the National Transcontinental Railway the eastern lines of the Canadian National System, seems to present many of the aspects of commercial failure, it should be remembered that its economic defects are to a great extent inseparable from an origin that had its roots, and remains rooted, in the broader considerations of public policy."

descriptive terms of the railways which are included in the groups and possess no legal significance.

The "Canadian Government Railways" were entrusted to the Canadian National Railway Company by Order in Council P.C. 115, of January 20, 1923, for management and operation only, and the entrustment has never changed the title of the railways. The Intercolonial Railway proper is the nucleus of the "Canadian Government Railways" group and it always has been, and still is, owned by the Crown although, as stated previously,⁽²¹⁾ it could be entrusted under the provisions of the Intercolonial Railway Act for operation and managerial purposes.

It was not until Order in Council P.C. 115, of January 20, 1923, was passed that the "Canadian Government Railways", including the Intercolonial Railway and its subsidiaries, became subject to the Railway Act and the jurisdiction of the Board of Transport Commissioners, except as otherwise provided in the Canadian National Railways Act and the Act respecting Government Railways. Enabling legislation for the application of the Railway Act had previously been provided by Section 5 of that Act which reads as follows:

"5. This Act shall, subject as herein provided, apply to all persons, railway companies and railways, within the legislative authority of the Parliament of Canada, whether heretofore or hereafter, and howsoever, incorporated or authorized, except Government railways, to which however it shall apply to such extent as is specified in any Act referring or relating thereto. 1919, c. 68, s. 5" (underlining

inserted).

and by Section 16 of the Canadian National Railways Act (1919)⁽²²⁾ as follows:

"16. Notwithstanding anything in the Government Railways Act or any other Act, the provisions of the Railway Act, respecting the operation of a railway, as distinguished from the provisions of such Act respecting the construction or maintenance of a railway, shall apply to such of the Canadian Government Railways as would but for the passing of this Act be subject to the Government Railways Act, during such time as the operation and maintenance thereof is entrusted to the Company under the provisions of this Act.

"(2) The provisions of the Railway Act respecting maintenance of a railway shall also apply to such railways during the time aforementioned in so far as such maintenance affects the safety and protection of railway employees and the passengers upon the railway."

It is of interest to observe that Order in Council P.C. 115 on entrusting specified railways in the Canadian Government Railways group provided also that "all other railways and branch lines, the title to which, and to the lands and properties whereon such railways are

(22) Subsequently amended by Chapter 13 of the Statute of Canada, 1928, which expressly stipulated the non-application of the Railway Act in respect of matters relating to the location of lines of railway, the making and filing of plans and profiles - other than highway and railway crossing plans - and the taking and using of lands and expropriation proceedings.

constructed, is vested in His Majesty, be by Order in Council entrusted in respect of the management and operation thereof", and "that such management and operation shall continue during the pleasure of the Governor in Council, and shall be subject to termination or variation from time to time in whole or in part by the Governor in Council."
(underline inserted).

It appears that in the application of the Railway Act, the Canadian National Railway is divided into three groups -

- (1) The Canadian National Railway Company;
- (2) The Canadian Government Railways; and
- (3) Railways controlled through stock ownership by Canadian National Railway Company directly or indirectly.

The position of the Canadian National Railway Company in relation to the Railway Act is clearly indicated in s. 2 of c. 10, 1929 (Canada) section 17(1) and s-s.(2) (a) which reads as follows:

"17 . (1) All the provisions of the Railway Act shall apply to the Company, except as follows:-

"(a) such provisions as are inconsistent with the provisions of this Act;

"(b) the provisions relating to the location of lines of railway and the making and filing of plans and profiles other than highway and railway crossing plans;

"(c) such provisions as are inconsistent with the provisions of the Expropriation Act as made applicable to the Company by this Act.

"(2) (a) All the provisions of the Expropriation Act except where inconsistent with the provisions of this Act, shall apply mutatis mutandis to the Company."

As to controlled railways of the Canadian National Railway Company, the Railway Act, where not inconsistent with the Canadian National Railways Act, "applies to the subsidiary companies' railways subject to the legislative authority of the Parliament of Canada to the same extent as the Act "applies to Dominion railways in general."⁽²³⁾

The "Eastern lines" of the Canadian National Railways consist of the railways:

- (1) Vested in the Crown and entrusted to the Canadian National Railway Company for operation and management (Canadian Government Railways - Newfoundland Railway Company);
- (2) Controlled through stock ownership of the Canadian Northern Railway Company (Halifax and Southwestern);
- (3) Purchased by the Canadian National Railway Company (St. John & Quebec Railway).

It follows from these various methods of ownership and control that the application of the Railway Act and the jurisdiction of the Board of Transport Commissioners to the constituent parts of the "Eastern lines" are obtained by divers legal approaches. This situation in respect of the "Canadian Government Railways" should not preclude any "variation from time to time in whole or in part by the Governor in Council", ⁽²⁴⁾ nor variations in whole or in

⁽²³⁾ Coyne's "Railway Law of Canada", p. 35.
⁽²⁴⁾ P.C. 115, January 20, 1923.

part in respect of the other constituent parts of the "Eastern lines", including the Canadian Government Railways, by appropriate amendments to the Canadian National Railways Act.

Although the "Canadian Government Railways" were not subject to the Railway Act and the jurisdiction of the then Board of Railway Commissioners prior to January 20, 1923, the rate structure of those railways was revised upwards from time to time in the period 1912 to 1924 to reflect either adjustments authorized by the Board on application of railways subject to the Act, or pursuant to Order in Council, or by voluntary action on the part of the management of the Intercolonial, to equalize the rate structure within the Maritimes and from the Maritimes westward to destinations in Canada.⁽²⁵⁾ These adjustments are referred to in a subsequent section of this brief.⁽²⁶⁾ It is sufficient at this point to direct attention to the reversal in policy that was exercised in connection with the Intercolonial Railway and that which had existed prior to 1912 in recognition of the logic and necessity of maintaining low rates in order to facilitate the movement of traffic from the Maritimes as part of a national policy having its roots in Confederation.

(25) The R.A.C. Henry study for the Sirois Commission makes the following observation at page 76 - "During the period of direct government operation, freight rates on the Intercolonial were influenced by, but not subject to, the periodic adjustments of freight rates on other lines."

(26) Pages 56, 57, 58, 59, 60 of Brief.

The levelling upwards of the Maritime rate structure reached its zenith after the Intercolonial became subject to the jurisdiction of the Board of Railway Commissioners in 1923. On May 10 of that year, the Maritime Standard Mileage Scale was increased to the level of the Quebec-Ontario (Central) scale and approved by the Board⁽²⁷⁾.

It is not clear whether or not this change in rate policy on the Intercolonial Railway before it became a part of the National system was influenced by pressure from competing railroads or industries, or both.^(27a)

With reference to footnote 27(a) I wish to point out, and I will refer to it later on, that the sugar rates had been predicated on a commodity basis, and were subsequently raised to a class rate basis during the levelling off period between 1912 and 1924.

The Royal Commission on Dominion-Provincial Relations noted "that the rates imposed by the management of the Intercolonial in 1912, and continued for fifteen years, were wholly commercial in character is beyond

(27) "After the taking over of the Intercolonial by the Canadian National in January 1923, the rates of that road became subject to the jurisdiction of the Board.....and with the approval of the Board, the Maximum Standard Mileage Class Rates in the Maritimes were made the same as those in the Quebec-Ontario (Central) scale effective May 10, 1923." (p. 85 Henry's Railway Freight Rates in Canada).

(27a) It is not without significance that when increases in sugar rates were modified from Maritime refineries in 1918 by O/C 2080 it precipitated strong protests from Central Canadian refineries. The modified rates were rescinded by O/C 679 in September, 1919.

(28)
question", and in substantiation of that statement the Commission referred to an explanation made by the Hon. Frank Cochrane, then Minister of Railways, in connection with an average increase of five per cent (29) effected on the Intercolonial in 1912 when he said "I am trying to run the Intercolonial on a business basis.....I am satisfied that increases in rates are necessary." (30)

[In another part of its report the Sirois Commission, in reference to the tendency of rate making to lessen regional differences and to maintain for Canada a position of relatively low rates, states -

"The only flagrant case of disturbing established differentials to the injury of a region was the equalizing of Maritime rates with those of the Central division in 1912. This was done by the management of a railway under Government control " (31)

THE CHAIRMAN: Q. What region was injured there?

A The Maritime area, sir.

Q Is that what they mean?

A That is what it means here in that particular footnote. If I remember correctly they were discussing the levelling off or so-called equalization of rates.

Q The equalization in that case consisted of increases in the Maritime rates?

A That is right; in other words, our rates went upwards, sir.

(28) Book 11, page 254.

(29) Some members placed the increase in individual rates as high as 40 per cent.

(30) Debates House of Commons 1912-1913, col. 12,065.

(31) Book 11, p. 197.

A similar conclusion was reached by Professor W.A. Mackintosh in his study for the Sirois Commission as follows:

"Transportation rates have been modified to the advantage of those regions least favoured by competitive influences. The chief, and important, exception was in the period 1913 to 1923 when rate changes were distinctly adverse to the Maritime Provinces." (32)

There is no doubt from the findings of the Duncan and Sirois Commissions that it was the policy of the government to maintain lower rates within and from the Maritimes. In the study prepared by Mr. R.A.C. Henry and associates for the Sirois Commission rate schedules and charts indicate beyond refutation that such was the case. For example, in connection with the Maritime Standard Mileage Rates there is the following statement --

"In the Maritime Tariff of March 1, 1898, the rates of the Quebec-Ontario scale were adopted, but not for the same distance.....This procedure reflected the rate-making policy of the Government on the Intercolonial Railway." (33)

Since the Intercolonial became part of the National system and subject to the jurisdiction of the Board of Railway Commissioners the rate structure, excepting rates as required by the Maritime Freight Rates Act and otherwise necessitated by the pervasive influence of competition, has generally been maintained on a uniform

(32) Sirois Commission published Reports, Appendix 3, p.97.

(33) Railway Freight Rates in Canada, p. 85.

basis with the rate structure in the Quebec-Ontario (central) rate territory.

The difficulties of circumventing uniformity in the rates in the National system without conflicting with the Railway Act is patent from the evidence of Mr. A. T. Weldon, former traffic manager of the Atlantic Region, before the Board of Railway Commissioners at Saint John, N.B., on April 12, 1926, when he said in cross-examination as follows:

"Q. That when you are a part of a system you feel that you cannot give a shipper on this part a lower rate than a shipper on another part of the System outside of this region?

A Yes, we know by sad experience that we cannot.

Q. Did you have the same difficulties in the intercolonial days, that is before 1911?

A. Well, no, we could not have the same difficulties because we were a purely local line. We had no responsibilities outside of the region, the situation was entirely different." (34)

If the rate policy of the Intercolonial prior to 1912 had been followed, concomitant with such other adjustments that might be required to encourage long haul traffic, the legal process which brought the Canadian Government Railways under the jurisdiction of the Board of Railway Commissioners in 1923 would have terminated the necessary rate differentials unless provisions were incorporated in the Act respecting the Canadian National

Railways, and possibly other Acts, providing otherwise. This was one of the difficulties which no doubt confronted the Royal Commission on Maritime Claims. However, it should be emphasized that at the time of the Duncan Commission's investigation, and under then existing conditions, it appears that the volume of traffic being lost by the railways to motor vehicles had "not developed sufficiently to enable the railways to come to a final decision as to how far they should go in the direction of meeting that motor traffic."⁽³⁵⁾ While the loss of traffic to the trucks was causing the railways some concern no one evidently expected the almost revolutionary competition which subsequently developed after 1930, not only from motor vehicles but also from water transport, particularly in the Central Provinces. The question therefore arises, had the competitive developments which subsequently took place been foreseeable, or been placed before the Duncan Commission as a possibility, would it not have recommended measures whereby the purpose and intent of the Intercolonial Railway as it found it would have been protected against such contingencies?

(35) Vol. 510, p. 7674, Argument by Mr. E.P. Flintoft, K.C., C.P.R. Counsel in General Freight Rate Investigation. Note also statement in Argument at p. 7675 which reads "Does anyone suggest that it would be practicable from a rate-making standpoint to have a different basis of rates from one or two of these interior points while rival industries at other points continue to enjoy a lower basis? As Mr. Watson"-- if I remember correctly he was with the C.N.R. and had given evidence in that case --"pointed out this would disrupt the whole rate structure. Moreover, it would tend to destroy the fruits of the investment of large sums of money which had been spent in the development of industries, relying on existing rate relationships. Towns like Kitchener, Galt..... and many other manufacturing centres, would be put in a position of great disadvantage by any such action."

(h) Findings of the Duncan Commission in
Connection with the Rate Structure

The Duncan Commission interpreted the rate structure that had prevailed up to 1912 as rightly the "fulfilment by successive Governments of the policy and pledges" incipient with the railway. The Commission found also that subsequent to 1912, and to the time of its report (1926) that the "Intercolonial rates have suffered an estimated cumulative increase of 92 per cent" (i.e., their 100 became 192), whereas "the estimated average increase of rates for the rest of Canada" was "55 per cent" (i.e., their 100 became 155) - a situation which resulted in the following conclusion:

"That the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritime Provinces (a) a burden which, as we have read the pronouncements and obligations undertaken at Confederation, it was never intended it should bear, and (b) a burden which is, in fact, responsible in very considerable measure for depressing abnormally in the Maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood." (36)

It is to be remembered that during the period between 1916 and 1920 freight rates had been increased considerably, and a recession followed, and it was during that particular time that the Maritimes found themselves in very dire economic straits.

(36) Report of Royal Commission on Maritime Claims, 1926, p. 21.

Preliminary to its recommendation, the Duncan Commission observed that the Intercolonial Railway was constructed 250 miles longer than would have been required on commercial grounds, and that the relatively high gradients, the curvatures and greater exposure to weather conditions on the "strategic" route resulted in relatively high operating expenses which should not have been reflected in a rate structure but should have been borne by the Dominion Government.

The Commission then went on to recommend --

"That an immediate reduction of 20 per cent (so that 192 will become approximately 155) be made on all rates charged on traffic which both originates and terminates at stations in the Atlantic Division of the Canadian National Railways (including export and import traffic, by sea, from and to that division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originates at stations in the Atlantic Division (excluding import traffic by sea), and is destined to points outside the Atlantic Division." (37)

For the purpose of the recommendation the Western limits of the "Atlantic Region" were to include Diamond Junction and Levis - "Diamond Junction being the point at which the Transcontinental Railway meets the old Intercolonial Railway, and Levis the point to which, in 1879, the Intercolonial Railway was extended."

In defence of the method and measuring proposed by the Commission it stated that --

"The situation is one that can only be dealt with in a broad spirit, and one that for the economic welfare of the Maritimes must be met without delay. The course we suggest has the effect of giving immediate relief in a manner that is equitable *as* well as broad. The cost of this relief should be definitely borne by the Dominion Government, who will make the necessary reimbursement to the Canadian National Railways through the medium of the Canadian National Railways Budget, without impairing the financial results of the operation of the system.

page 3432 follows

We are not overlooking that the other great railway system operating in the area would be entitled to equitable consideration if they find themselves prejudiced as a result of the reduction proposed."

(38)

The advantages of the "broad measuring" as recommended were summarily upheld by the Duncan Commission in the following language:

"It separates completely considerations of national policy from considerations of railway policy proper. It restores the original purposes of the Intercolonial Railway as interpreted by the rate structure prior to 1912, without withdrawing it from the consolidated system of National railways, a step which we think would be retrograde, and, in the end, very unsatisfactory.

"The cost of the reduction is a matter that can be measured definitely and conclusively for each financial period without any complication or confusion to the financial operations of the consolidated system - a feature that, in our view, is almost as important as the avoidance of complication in the practical operations of the system." (39)

The transportation changes which have taken place since the Royal Commission on Maritime Claims made its recommendations on freight rates (and subsequently incorporated in part in the Maritime Freight Rates Act 1927) dictate that the whole matter now requires review to determine:

(38) Report of Royal Commission on Maritime Claims, p. 22, 23.
(39) Ibid. p. 23.

- (a) the effects of the changes in relation to the purpose and intent of the Intercolonial Railway as reflected in the rate structure prior to 1912, and recognized in Statute form by the Maritime Freight Rates Act;
- (b) what measures and revisions are now necessary to re-establish and perpetuate the purpose and intent of the Intercolonial Railway compatible with changing conditions and circumstances which either were not foreseeable at the time of the Duncan Commission's investigations or were not of such moment to require the considerations which subsequent events appear to justify.
- (1) The Maritime Provinces in Relation to the National Policy since Confederation

While there was considerable doubt that an intercolonial railway within Confederation would induce a flow of traffic to the Central Canadian markets without depressed rates and other encouragements, there did exist expectations that economically the Maritimes would benefit by the flow of central and western traffic through their ports, and that on the basis of its coal resources industrial developments would naturally follow.

In 1879, at about the time the so-called National Policy became law and Canada embarked on protective customs tariffs directed towards increased industrialization in Canada, it had become manifest in the Maritimes that economic conditions, instead of developing as anticipated, had declined relatively.

In the period 1880-1900 the Maritimes continued to lose ground economically in relation to the rest of Canada, and while some stimulation was given to certain

industries and a few were able to obtain access to the Central Canadian markets, the quantum was not sufficient to offset the loss in export markets and shipping.

During those years prevailing conditions were reflected in a relative decline in population. While the decline in population is not wholly attributable to the tariff there is a general agreement that it certainly intensified the economic difficulties of the Maritimes.

THE CHAIRMAN: Q. Are you referring there to the customs tariff?

A. To the customs tariff, yes, sir.

No less was the fact that distance from the larger markets of the Central Provinces, even at depressed rates, constituted a relative disadvantage compared with industries located nearer the markets and therefore lessened the inducement for industrial development which otherwise would have resulted.

The principal source of revenue for Canada at the time was from import duties. To the extent that losses incurred from depressed freight rates had to be met by revenue from import duties, it is patent that the greater the Dominion's contribution to railway losses and the greater the Dominion's aid to railway construction, the greater was the need for import duties with their restrictive effect on the export economy of the Maritime Provinces.

The economic history of the Maritimes up to World War I continued to indicate a persistent worsening of its economic position in relation to the rest of Canada under transportation and tariff policies directed towards national economic integration. In this connection

one finds that concurrently with resources being strained "in an effort to establish a commercial empire on the St. Lawrence" (40) the Maritimes have been confronted almost continuously with problems of readjustment to cope with changing and unfavourable market conditions, influenced by -

- (a) the tariff policy;
- (b) the loss or worsening of export markets resulting from international trade conditions; and
- (c) the increased cost of transportation to the Central Canadian markets.

The protective tariff undoubtedly encouraged in the Central Provinces industrial agglomeration and its corollary -- a concentration of population. Without the protective policy, the Maritimes would have traded more with the Eastern United States, Great Britain and other countries. (41) Then too, it is a reasonable presumption that in the Maritimes new export industries would have been encouraged, and possibly more local industries developed even though at the time of Confederation the older export industries in the Maritimes had apparently been in decline. (42)

It must not be overlooked that the construction of the Intercolonial Railway and subsequent improvements

(40) Report of Royal Commission on Dominion-Provincial Relations, Book 1, p. 206.

(41) Study prepared by Prof. W. A. Mackintosh "The Economic Background of Dominion-Provincial Relations", p. 88.

(42) Report of the Royal Commission on Dominion-Provincial Relations, Book 1, p. 159.

have apparently been more conducive in opening up the markets of the Maritimes to Central Canadian industry than in facilitating the access of Maritime producers into the Central Canadian markets.⁽⁴³⁾ I call attention to my footnote here, reading as follows:

(43) Page 89, Study of W. A. Mackintosh for Sirois

Commission, supra. Note also at pages 119 and 120 Book 1, Report of Royal Commission on Dominion-Provincial Relations the following statements of considerable import - "The relative, and in some cases absolute, decline in Maritime manufacturing which began at the end of the last century continued during the twenties." "The difficulties of the widespread economic readjustment which the Maritime region had to undergo during the twenties were enhanced, particularly during the first half of the period, by the effects of the national policies. The isolation of these provinces from the markets of the rest of Canada was intensified by the War and immediate post-war rise in freight rates. . . . The policy of protective tariffs, although it was not altered in any important respect, bore with increasing weight upon the depressed and marginal exporting industries." "By 1929, some of the unfavourable circumstances had disappeared and the major readjustments required by the remainder had been accomplished. At the end of the period, the Maritimes had less of the feverish activity of a boom than other parts of Canada, but they were better prepared to withstand the shock of the depression."

The concentration of industry in Quebec and Ontario and the proximity to the largest consuming market of Canada contribute to economies of large-scale production and lower distributing costs, which have facilitated the extension of the competitive marketing area and have handicapped Maritime producers with a limited local market and relatively higher transportation costs. Most of the Maritime products that ordinarily enjoy large markets in the Central Provinces are for the most part highly competitive and marginal. Because of these competitive and marginal factors some Maritime industries have resorted to specialty and quality production in order to offset the disadvantages of distance to the Central Canadian markets.

(j) The Maritimes and National Policy

The long term trend of industrial concentration in the Central Provinces was given further impetus during World War II when new industrial plants were encouraged in that area for a variety of reasons. While there were some industrial expansion and development in the Maritime during the war period, they were more in the nature of increased production of existing plants and peculiarly adaptable trades, rather than in the establishment of new industrial pursuits. In the period 1919 to 1945 the Canadian economy has changed its status from one dependent principally on the primary industries -- agriculture, fishing, mining and lumbering. In 1919 manufacturing accounted for 33 per cent of the total net value of commodity production as compared with 52 per cent in 1945, whereas the net value of agriculture to the total dropped from 44 per cent in 1919 to 21 per cent in 1945. On the other hand, available statistical returns indicate

that the economy of the Maritimes has remained primarily basic.

Since the termination of World War II some new plants have been established in the Maritimes producing commodities previously imported. However, these Provinces have shared in the post-war industrial expansion only on a very small scale compared with the Central Provinces where between 1945 and 1949 was expended the greater proportion of the total investment in Canada for plant and equipment amounting to approximately \$2,200 millions. (44)

- (k) Statistical Aspects of the Economic Position
of the Provinces of N. B., N. S., and P.E.I.
in the National Economy. (45)

The lack of complete interprovincial trade statistics makes it impossible to appraise with exactitude the beneficial and detrimental consequences of Confederation on the Maritimes' economy. However, there have been developed sufficient statistical returns to indicate that relatively the national policies have not benefited the Maritimes commensurately with Canada as a whole. Moreover, it is not possible to reconstruct what their economic position would likely have been if the Maritimes had remained apart or if they had joined the United States.

An analysis of available statistics reveals that the Maritime Provinces contain 51,237 square miles or 1.4% of the total area of the Dominion. In this region there are located approximately 1,231,000 people or 9.56% of the total Canadian population estimated for 1948 at approximately 12,888,000. (46)

(44) Foreign Trade, Vol. VI, page 1286.

(45) Source of information D.B.S. Reports and Publications, and as otherwise indicated.

(46) D.B.S. preliminary estimate.

On the basis of these preliminary figures the Maritimes' population in relation to Canada as a whole has decreased from a percentage of 9.82 in 1941.

In the general field of production the Maritimes with about 10% of the Canadian population contribute only approximately 5% of the Dominion total. A breakdown of the production figures indicates that of the Dominion total the approximate Maritimes' contribution is normally:

TABLE 3

Agriculture	6%
Fishing	37% (45% in 1944)
Forestry	11%
Mining	6%
Manufacturing	4%

Even more striking are the gross production per capita figures vis-a-vis Canada as a whole as follows:

TABLE 4

	<u>Maritimes</u>	<u>All Canada</u>
1938	\$ 267. . . .	\$ 476.
1944	\$ 537. . . .	\$1052.
1945	\$ 533. . . .	\$ 963.

Agriculture. The population of the Maritimes is, and has been, predominantly rural and agricultural, even despite a decline in the rural and farm population and the abandonment of a large number of marginal and sub-marginal farms. While there exist regional exceptions, the topography of the Maritime Provinces is not generally conducive to large-scale farming with its associated benefits, including adaptation to improved agricultural practices, the maintenance of uniform standards, and more favourable marketing arrangements. The lack of large

urban markets in the Maritimes has also been a deterrent factor in the development of agriculture on a larger scale. Maritime agriculture has had to specialize, as in the case of apples and potatoes in some of the most adaptable farming sections, in order to compensate for the limited local markets. As a large part of the specialized production is dependent on foreign markets it is particularly vulnerable to import policies of other countries and external conditions.

Other pertinent data reflecting the position of agriculture in the Maritimes in relation to the Dominion as a whole indicates that:

- (a) The investment in farm capital in the Maritimes averages around \$4,000. per farm compared with an average of about \$7,000. for all Canada;
- (b) Net income to farmers in the Maritime Provinces is considerably lower on a per farm basis than the average for all Canada;
- (c) The acreage of field crops in the Maritime Provinces is relatively small. While grain is grown on most farms, the Maritimes have always imported from Western Canada some grain for feeding purposes, and in recent years under the Feed Grain Freight Assistance Policy in conjunction with the livestock production program, the quantum of feed imports has increased substantially. Specialization efforts in potato production have brought about a widespread reputation for quality in foreign and Canadian markets. In 1930 the potato acreage accounted for 25.6% of the whole Canadian

acreage, and in that year the production of 27,791,000 bushels accounted for 37.6% of the entire Canadian potato crop. In 1946 these percentages had risen to 27.8% and 38.3% respectively. In addition, the Maritime turnip and 35.1% production in 1946 accounted for 27.6% of the total Dominion acreage and production respectively.

- (d) The Feed Grain Freight Assistance Policy, coupled with a concerted effort on the part of the Provincial Governments, has resulted in a substantially improved live stock production, particularly in swine. Considerable improvement has also been manifested in poultry production. On the other hand, sheep raising in the Maritimes has lagged.
- (e) In 1946 the production of creamery butter and factory cheese in the Maritimes represented about 6.6% and 1.1% respectively of the total for all Canada.
- (f) The permanent loss of the large pre-war apple sales to the United Kingdom market is necessitating a reorientation of the Nova Scotia apple industry. The present program has resulted in a reduction in commercial apple trees in Annapolis Valley from 1,587,566 to 1,102,631 trees. (47) Since the beginning of World War II the industry has been heavily subsidized -- during the war years to tide it over until apples

(47) Appendix 12 and N.S. Apple Marketing Board. Increased disposition of apples is essential to Canadian markets. Since the beginning of World War II Ontario and Quebec have been taking about 10% of the fresh apples dis-

could be shipped again to the U.K., and since the war to facilitate a transition to domestic and other outlets since the U.K. in the last ten years has overcome its reliance on imports to fill its apple requirements except under abnormal circumstances. The New Brunswick apple industry, which is on a considerably smaller scale, has been geared to a domestic market and continues to show improvement.

Fishing Industry. The Maritimes fishing industry is of far-reaching importance to the Maritimes' economy. Throughout its long history the Maritimes' fishing industry had its golden eras and its days of adversities. In 1875 the total market value of fish and fish products in the Maritime Provinces represented 80.2% of the Dominion total as compared with 32.5% in 1928; 33.9% in 1938; 32% in 1942; 42.7% in 1944 and 41.4% in 1945. The increase in the Pacific Coast fisheries was the principal factor in the decline in the percentage of the Maritimes to the Dominion total. Other contributory factors in the relative decline in the market value of Maritime fish and fishery products were:

- (a) the increased competition after World War I from other fish exporting countries, such as Norway, Iceland and Newfoundland;
- (b) adverse conditions in the West Indian markets;
- (c) market preference for canned and fresh fish instead of dried and pickled fish;
- (d) limitations in the expansion of the fresh-fish trade in Canada and the United States due to distance from markets;

- (e) the United States tariff restrictions;
- (f) increased competition from other proteinaceous foods, such as meat, eggs and dairy products.

During the depression the total value of Maritime fishery production was \$9.8 millions which was considerably less than half that of 1918. The improvement of the fishing industry at the time was made difficult by the "poverty of the fishermen, their strong individualism and the small-scale and scattered nature of the Maritime fishing industry." (48) The number and diversity of products and of processing operations, as well as geographic peculiarities, also added to the problem of concerted action towards modernization and improved methods.

For two years after the beginning of World War II the pre-war conditions and prices in the fish industry did not change materially. However, increasing scarcities of proteinaceous foods, increased purchasing power, and labour shortages soon precipitated rising prices. Because of the depressed position of the fishing industry before World War II, the lack of modern equipment, the loss of labour to the armed services and munition factories, it was not adequately prepared to cope with the increased wartime demands. The situation necessitated the intervention of the Dominion Government which by various measures, coupled with price control, facilitated an improvement in supplies for the home market, and the greatly expanded wartime production, inspired and

(48) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada" p. 56.

encouraged by the Federal and Provincial Governments to meet the acute shortage of protein foods, has continued. Since the war, there has been a certain amount of integration in the industry. The fishermen, generally, are in a much better financial position than they have been for years and their standard of living now compares favourably with that of other skilled labour. In order to maintain this level, no diminution of sales can be permitted and, as has been clearly demonstrated during the recent meat shortage, the sale of fish reacts sharply to any proposed increase in price. Any increase in transportation costs must be passed on to the consumer or, if consumer demand reacts unfavourably, rolled back to the primary producer, thus reducing the income of the fishermen accordingly. Present indications are, however, that the almost limitless market of the war and the immediate postwar period is receding. The industry, with increased costs, greater competition, handicaps of distance to the principal markets of Canada and the United States, and threatening import restrictions, is confronted with marketing problems of no small magnitude.

Forest Industry. Approximately 68% of the total land area in the Maritime Provinces is forested. The breakdown is as follows:

New Brunswick	-	22,190 sq.miles	(or 64% of the land area)
Nova Scotia	-	11,600 sq.miles	(or 34% of the land area)
P. E. I.	-	619 sq.miles	(or 2% of the land area)

The Maritimes' accessible forest resources represent approximately 6.6% of the Dominion total. In the Maritimes the forest industry is divided into five main groups; woods operation, the lumber industry, the pulp and paper industry, the wood-using industries and the paper-using industries.

The woods operations result in the following products: raw materials for the sawmills, pulp mills and wood distillation and other plants, logs, pulpwood, bolts for export, fuelwood, piles, railway ties, posts, fence-rails, mining timber and other primary products which are finished in the woods for domestic use or export. Other minor forest products include maple sugar and syrup, balsam gum, resin, etc.

Prior to World War I the lumber industry in the Maritimes was one of expansion. Between 1920 and 1933, due to various factors, the Maritimes' lumber industry declined. From 1933 to the outbreak of World War II, the industry experienced a slow recovery reflecting the influence of the Imperial preferences and trade agreements with the United States. World War II introduced to the lumber industry the familiar pattern of abnormal demand, lessened competition, increasing purchasing power, shortages of labour and increased prices. Despite the labour shortages the output of the forests was maintained at a remarkably high level. It is noteworthy that the lumber industry emerged from the war in a much improved condition, and progress was also made to improve the general standards of the product.

The Maritimes' lumber industry is geared principally to exports to the United Kingdom. Consequently, lumber operation is very sensitive to the demands and competition in the U. K. market. In 1948 there was a material drop in the U. K. requirements of sawn lumber from the Maritimes. As a consequence the production of sawn lumber in the Maritimes dropped from approximately 632,000,000 ft. B.M. in 1946 to 332,000,000 Ft. B.M. in

1948. If it had not been for a fairly buoyant domestic and U. S. demand the drop in the U.K. requirements in 1948 would have had widespread repercussions. Of the total 1948 production of sawn lumber in the Maritimes it is estimated that approximately 127,000,000 Ft. B.M. were consumed in Nova Scotia, New Brunswick, and Central Canadian markets.⁽⁴⁹⁾

The 1949 picture for the Maritime lumber industry has been brightened somewhat by the recent U.K. announcement that it would place orders for 128,000,000 Ft. B.M. of sawn lumber from the Maritimes for this year.

While the dependency of the Maritime lumber industry on export markets dictates the consummation of arrangements directed to a continuance of U.K. and other foreign outlets, it is also essential that this primary commodity continue to obtain access to the Central Canadian markets on a competitive basis.

Other products of the lumber industry include shingles, railway ties, lath, veneer and plywood, box shooks, barrels, timbers and pitprops for both the domestic and export markets.

The pulp and paper production of the Maritime Provinces has supplanted lumber as the principal forest product. It presently constitutes approximately 10 per cent of the Canadian total and is mostly exported to the United States.

Mining Industry. Approximately 22 per cent of the gainfully occupied in mining in Canada are located in the Maritime Provinces. The principal products of the mines include coal, salt, gypsum, limestone,

barytes, gold and clay. However, coal is the most important of the minerals. It represents approximately 80 to 90 per cent of the total value of mineral production in Nova Scotia, and approximately 45 per cent of that of New Brunswick.

The coal industry in the Maritimes, as in other countries, has been buffeted about considerably by the effects of the World Wars and the competition of other fuels, as well as other sources of energy.

In 1913 the Maritime coal industry attained its zenith of eight million tons. The iron and steel industry, the railways, and Quebec have been the principal markets.

During World War I a combination of factors, including lack of shipping, disposition of practically the whole available output locally, the absorption of skilled labour into the armed forces, increased production costs, and relatively higher freight rates resulted in the loss of the Quebec market. In the period between 1920 and 1939, with the assistance of rates reduced under the Wartime Freight Rates Act, subventions and other measures, the coal industry recaptured a large part of the Quebec market and was even developing a substantial Ontario outlet.

Within the industry, the repetition of almost identically the same pattern of developments as World War I again brought about the loss of the Central Canadian market. As a result the industry is again confronted with the difficult task of regaining a share of the essential Central Canadian market in the face of increased costs, freight rates and competition on the one hand, and on

the other a substantial diversion to other forms of energy and further change-overs expected in both industry and the railroads.

As the coal industry is particularly vulnerable to business fluctuations, and such a large percentage of the Maritimes' population is dependent upon the industry for its livelihood, the incidence of business recessions creates problems of far-reaching consequences in the Maritime economy.

Manufacturing. In the general field of manufacturing, (50) reference has already been made to the failure of the Maritimes to attain within Confederation the great manufacturing status in which many have placed sanguine hopes.

Immediately following Confederation investments were made in establishing manufacturing industries, including woolen and cotton mills, boot and shoe factories, sugar refineries and glass works. However, during the

(50) The production of iron and steel is an important industry in Nova Scotia. The principal operations in this industry in the Province are carried on at Sydney where one of the three large basic steel plants of the Dominion is located.

Obviously no study of transportation costs in Canada would be complete without investigation of the problems which arise in respect to the transportation of the products of this industry.

However, in view of the fact that special representations will be put before the Commission by those that are directly responsible for the conduct of this industry we shall not attempt a discussion, even in the most general terms, of this aspect of the problem.

expansion period of the early century, manufacturing in the Maritime provinces, instead of developing as in the Central Provinces, declined relatively. As the scale of industry increased in the Central Provinces due to various factors, including the national policy and proximity to markets, the existing small industries of the Maritimes found it not only difficult to compete in the larger markets of Canada at higher transportation costs but were even finding it difficult to compete in the local market.

Some manufacturing expansion of a temporary nature occurred during World War I. Thereafter, there were experienced concurrently some industrial development and retrogression. The net result was that the Maritimes continued to decline in manufacturing in comparison with Central Canada. The freight rate increases effected between 1921 and 1921 contributed materially in handicapping established Maritime industries dependent upon an outlet for their products in the Central Provinces. The limited new manufacturing development in pulp and paper, sugar refining, oil refining, and confectionery, was made possible only through locational advantages which in some cases were offset by the relatively higher transportation costs on shipments to competitive markets outside the Maritimes.

The stimulus of World War II to industries in the Maritimes, including manufacturing, has already been mentioned supra,^(50a) but as in the case of World War I the stimulus was considerably less than for Canada as a

(50a) Page 28 of brief.

whole and is of a less permanent nature. Indeed, since the termination of hostilities, despite the establishment of a number of small industries in the Maritime Provinces, there do not appear to be any indications of an upsurge from the adverse trend in the subjoined percentages of the gross and net value of manufacturing in the Maritimes to the whole of Canada:

TABLE 5 (51).

GROSS VALUE OF MANUFACTURED PRODUCTS
\$000

	<u>Maritime Provinces</u>	<u>Per Cent Maritime Provinces of Canada</u>
1870	29,706	13.4
1890	59,164	12.6
1900	46,892	9.7
1910	91,265	7.8
1917	224,227	7.9
1920	260,012	7.0
1925	137,625	4.9
1929	162,343	4.2
1933	92,033	4.7
1939	152,741	4.4
1943	338,975	3.9
1945	367,991	4.5

(51) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada," p. 100.

TABLE 6 (52)

NET PRODUCTION VALUE OF MANUFACTURES
NOT ELSEWHERE SPECIFIED
\$000

	Maritime Provinces	Per Cent Maritime Provinces of Canada
1920	82,331	6.1
1930	42,003	3.3
1939	46,516	3.6
1946	92,328	3.1

(52) Based on D.B.S. data. Note, as the net production figures for agriculture for the years 1920 and 1930 have not been completed it has not been possible to set out the total net production of the Maritimes compared with Canada as a whole for years corresponding to Table 6. However, the following net production percentages for specific Maritime industries to the Dominion total are of significance:

	Forestry	Fisheries	Mining	Electric Power	Construction
1920	12%	39.5%	16.7%	4.1%	5.9%
1930	9.7	35.5	10.1	5.	4.1
1939	11.	37.3	6.9	6.	10.6
1946	11.2	46.	7.3	5.6	9.1

Total Net Production All Industries

1939 - - - - - 5.9%
1946 - - - - - 5.9%

Trade and Conditions in General:

The Royal Commission on Maritime Claims expressed disappointment in the lack of sufficient inter-provincial statistics to enable it to pursue investigations along lines which the availability of such statistics would make possible. The Commission then went on to recommend that "on this phase of internal trade a system of statistics should be made regularly available from as early a date as possible."⁽⁵³⁾ Other economic investigations since the so-called Duncan Commission have also been handicapped by the insufficiency of internal trade statistics. Indeed, the submission of the Province of Nova Scotia to the so-called Jones Commission in 1934 observed that unfortunately the recommencation of the Duncan Commission respecting internal trade statistics "has not been implemented. Although the importance of this information in relation to the economic position of the Maritime provinces was emphasized most strongly.....there is still a lack of any comprehensive measurement of the trade of the Maritime Provinces...."⁽⁵⁴⁾ It is of interest to observe also this statement from a 1948 publication of the Dominion Bureau of Statistics, viz:

"With Confederation, Trade and Commerce became a Department of the Dominion Government and detailed records of the trade of the separate provinces with each other and with the rest of the world ceased to be kept. Hence, the statistical basis for a comparison of the trade of the Maritimes before and after Confederation is lacking. However, certain

{ 53 } Report of Royal Commission on Maritime Claims, p. 44
{ 54 } Province of Nova Scotia submission to Jones Commission, p. 115

[illegible]

"inferences can be drawn from such partial data as are available." (55)

The development of marketing reports on agricultural products, information prepared in connection with the assistance policies of recent years, and the marshalling of data by trade organizations have resulted in some valuable trade statistics on specific commodities. However, until such time as complete statistical returns of provincial internal and foreign trade are compiled, it will be necessary to resort to some extent to reasonable presumptions, inferences, conjectures, and informed opinions predicated on existing available material. A thorough and essentially complete diagnosis therefore must await the development of more detailed trade data.

Rail statistics of carloadings and unloadings afford the most comprehensive available source of material respecting inter-provincial trade. Even with their limitations these returns enable the formation of some idea of trade, particularly as to the provincial loadings and un0 unloadings vis-a-vis Canada as a whole, the trend and composition of traffic, the proportion of loadings in the category of low-value and basic commodities, and some conception of the disposition of originating traffic. . . . When these rail statistics are supplemented by available data on specific commodities the Maritimes' trading position is presented in sufficiently clear perspective to indicate the dependency upon outside markets for its production of potatoes, apples, fish and fish products, forest products, (55) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada," p. 155. See also pp. 159 and 163.

The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the system has solutions for all values of the parameters α and β if the function $f(x)$ is continuous and has a bounded derivative. The second part of the paper is devoted to a detailed study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are unique and depend continuously on the parameters α and β . The third part of the paper is devoted to a study of the asymptotic properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) approach zero as $x \rightarrow \infty$ for all values of the parameters α and β . The fourth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are bounded for all values of the parameters α and β . The fifth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are continuous for all values of the parameters α and β . The sixth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are differentiable for all values of the parameters α and β . The seventh part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are twice differentiable for all values of the parameters α and β . The eighth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are three times differentiable for all values of the parameters α and β . The ninth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are four times differentiable for all values of the parameters α and β . The tenth part of the paper is devoted to a study of the properties of the solutions of the system of equations (1) and (2) for arbitrary values of the parameters α and β . It is shown that the solutions of the system of equations (1) and (2) are five times differentiable for all values of the parameters α and β .

coal, iron and steel products, sugar, salt, stoves, confectionery and other manufactured commodities requiring more than the demand of the local market in order to survive.

An analysis of the loadings and unloadings of revenue freight in the Maritimes for the five main commodity groups for specified years from 1926 to 1948 inclusive indicates that in respect of mine and forest products the Maritimes are net exporters, while on the other hand in agricultural and animal products the Maritimes as a group are generally net importers. As to manufacturing and miscellaneous commodities the Maritimes have, during the selected six years, shown three years with net imports and three years with net exports.(56.) The exports of coal from the Maritimes are substantially greater than indicated by the rail statistics as there is included in the freight terminated a large quantity which is moved by water from Sydney, N.S., to coastal and St. Lawrence River markets. As an example, in the year 1939 railway returns show approximately 522,000 tons of mine products exported from the Maritimes, whereas there were 2,549,000 tons of Nova Scotia coal shipped to and retained for consumption in the Central Provinces.⁽⁵⁷⁾

The grand totals of the main commodity groups reflect the buoyant war and postwar conditions. It is also of interest to observe that the 1939 carloadings of the Maritimes were approximately 106,000 tons less than in 1926, and moreover, on a tonnage basis the Maritimes

(56) Appendix 2.

(57) Report of the Royal Commission on Coal, 1946, p. 439

as a group enjoyed a net export made up principally of
(58)
mine and forest products.

In the years 1933, 1939, 1947 and 1948 mine and forest products constituted 76.8%, 79%, 69.7% and 74.4% respectively of the total freight loaded at stations in the Maritimes. In the corresponding years manufacturers and miscellaneous loaded at stations in Quebec and Ontario made up 10.4%, 37%, 40.4%, and 40.5% of the total
(59)
carloadings in those provinces.

An analysis of the rail traffic returns of the main five groups broken down into the principal commodities produced in the Maritimes for three selected years indicates generally:

- (a) A net export balance;
- (b) The high proportion of the movement by rail of commodities of relatively low value which necessitate low cost transportation to obtain access to competitive markets.

Other available sources of trade information reveal that:

- (a) Under normal conditions the Central Canadian
(60)
markets are essential to the coal industry;
- (b) For the crop seasons 1938-39 to 1947-48 inclusive the Central Canadian markets absorbed between 27% and 62% of the total potato shipments from Prince Edward Island, and between 27% and 85% of the total
(61)
originating in New Brunswick;

(58) Appendix 2.

(59) Appendix 4.

(60) Report of the Royal Commission on Coal, 1946

(61) Appendices 5 and 6.

(c) The production of seed potatoes represents an important industry to the Maritime Provinces. In this connection out of a total acreage of 69,969.12 entered for inspection in Canada in 1948 approximately (62) 60,084 acres were in the Maritime provinces. The Maritimes accounted for the sale of 6,190,490 bushels, of seed potatoes out of a total Canadian sale of 6,749,762 bushels in 1947. Exports of the Maritimes' sales accounted for 4,025,116 bushels - 2,135,223 bushels going to the United States and the balance to eighteen different countries. The domestic seed potato sales amounted to 1,037,917 bushels locally and 1,114,334 bushels to the Central Provinces out of a total Canadian crop sale of 2,481,308 bushels. (63.)

(d) The following carload traffic was transported on the Prince Edward Island car ferry between Borden, P.E.I., and Cape Tormentine, N.B. for the years 1946, 1947 and 1948:

	<u>To P.E.I.</u>	<u>From P.E.I.</u>
1946	17,253	11,303
1947	16,785	13,989
1948	17,846	12,083

Carload traffic designated as "Miscellaneous" constitutes the largest single item of the movement to Prince Edward Island, and potatoes in the reverse (64) direction.

(62) Appendix 9.

(63) Appendix 9.

(64) Appendices 17 and 18. Note - the car ferry statistics

of freight transported, although capable of further breakdown, afford the closest approach there is to inter-provincial trade statistics. These returns, with their limitations, indicate an unfavourable balance of trade of carload traffic against P.E.I.

(e) The quantum of fresh fish moved by Canadian National Express from the Atlantic Coast in the year 1945 to Central and Western Canadian destinations amounted to 11,573,280 lbs. net weight, or 12,182,400 lbs. inclusive of 609,120 lbs. of frozen fish. In addition, the net weight of fresh, frozen and smoked fish transported by freight from Nova Scotia originating points to destinations in Central and Western Canada totalled 17,721,479 lbs. (65,)(66) In addition to the fish movement to Canadian markets, the Maritimes export substantial quantities of fish, principally to the United States and West Indies. (67)

(f) While the export markets of the United Kingdom, United States, Eire, South Africa and the West Indies constitute the principal outlet for Maritime sawn lumber, approximately 127,000,000 Ft. B.M. were consumed in 1948 in Nova Scotia, New Brunswick and the Central Canadian markets. (68)

(g) Most of the production of the Maritime pulp and paper industry is shipped to the Eastern United States. (69)

(h) The Dominion Feed Grain Freight Assistance Policy facilitated the movement of the following quantities of grain and feeds from Western Canada to the Maritimes in the year 1948:

(65)) 65) Appendices 14 and 15.

(67) Note - According to the Canadian Foreign Trade Service the United States in 1938 imported approximately 18,000 tons of fish and fishery products from Canada, whereas in 1948 the importations had increased to
(footnote continued on next page)

New Brunswick	131,239 tons
Novz Scotia	151,460 tons
Prince Edward Island	<u>47,562 tons</u> (70)
Total	<u>330,261 tons</u>

From an analysis of the statistics that are available on the production and trade of the Maritimes these preponderant facts emerge:

- (1) By far the greater proportion of Maritime production consists of low valued and basic commodities;
- (2) The markets of the Central provinces are essential for a large proportion of the output of the Maritimes;
- (3) Maritime production is, and has been, geared to substantial exports to outside world markets, particularly the United States, United Kingdom, and the West Indies.

(Footnote 76 continued from previous page)

approximately 29,000 tons. Of these totals fresh and frozen fish constituted 11,275,320 cwts and 3,287,435 cwts. respectively. U.S. maintains a quota on fresh and frozen fillets from Canada which provides for the year 1949 imports of this type totalling 26,881,369 lbs. at a rate of duty of 1-7/8 cents per pound. Any imports over this quota will be assessed a duty of 2- $\frac{1}{2}$ cents per pound. The fish exported to the West Indies is principally dried and pickled.

(68) Appendix 16 and page 35 of brief.

(69) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada", p.80

(70) Appendix 13.

The effects of the relatively adverse economic trend of the Maritime Provinces vis-a-vis Canada as a whole since Confederation, the relatively small scale and marginal industries, the susceptibility of some of the principal industries to economic fluctuations and the relative lack of urbanization are abundantly evident in statistical

(Page 3462 follows)

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returns pertaining to wage earnings and other income, cheques cashed against individual accounts, life insurance effected and in force, ownership of passenger motor vehicles, radios and vacuum cleaners, telephones per capita, and public finance.

(71)

The average per capita weekly earnings in the leading industries of the Maritimes and Canada as of September 1, 1941 and 1947 were as follows:

	<u>Maritimes</u>	<u>Canada</u>
1941	\$22.68	\$26.04
1947	33.46	36.76
% over 1941	47.5	41.2

In this connection the number of employees reported in the Maritimes and in Canada as a whole on the same dates were:

	<u>Maritimes</u>	<u>Canada</u>
1941	122,801	1,626,895
1947	143,482	1,993,483
% over 1941	16.8	22.5

While it is true that wage earnings "are materially affected by the existing industrial distributions it also follows that in a region where wages tend to be low, either because of the nature of the industry or economic pressure, so will the purchasing power of that region be relatively lower compared with the more favoured industrial regions. The relative increase in the average earnings in the Maritimes under existing and abnormally favourable conditions, with seller's markets the order rather than the exception, is most significant.

Farm wages in the Maritimes are also below those of (71) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada", p. 138.

(72) Ibid, p. 136. See also Mackintosh's study for the Sirois Commission, p. 70.

the Dominion as a whole. The average wage per day of male farm help in the three Maritime Provinces compared with Canada as a whole on August 15th, 1947, was:

Prince Edward Island	\$3.54
Nova Scotia	4.36
New Brunswick.....	4.69
Canada	5.17

Other significant references and statistics reflecting the relative economic position of the Maritimes compared with Canada as a whole are the following:

"Over the past quarter century per capita income in the Maritime Provinces has been considerably lower than in the other regional economies, ranging from around 64 to 78 per cent of the Dominion average." (73)

"The Level of cheques cashed in the Maritimes is extremely low as compared with the all-Canada total.....The volume of financial transactions varies with the degree of urbanization and industrialization, both of which are relatively low in the Maritimes." (74)

"Despite the absolute and relative gains in the amount of life insurance effected and in force in the Maritimes in recent years, it would appear that the market for life insurance in the Maritime Provinces is considerably below the all-Canada average." (75)

(73) D.B.S. Study "The Maritime Provinces in Their Relation to the National Economy of Canada", p. 187.

(74) Ibid, P. 193

(75) Ibid, p. 193

"Motor vehicle registrations, especially those of passenger cars, are often used as an index of prosperity.....Registrations of passenger automobiles in the Maritime Provinces are considerably below the Dominion average." For example, the registration of passenger automobiles in the Maritimes per 100 population stood in 1946 at 6.80 whereas for Canada as a whole in the same year the number of registered passenger cars was 10.03 per 100 population. (76)

As to radios and electric vacuum cleaners, the 1941 census indicated that the proportion of households in the Maritimes having these conveniences is "on the whole considerably below the general average, and the proportion of households having none of these conveniences is considerably above the general average." (77)

"The number of telephones per 100 population in the Maritimes is considerably below the Dominion average.....The greater use of telephones in some provinces may be indicative, not so much of greater prosperity as of a high degree of urbanization." However, the number of telephones is often used as an index of prosperity with due weight for the urbanization factor. In the year 1945 there were 10.4 telephones per 100 population in the Maritimes in contrast with 15.3 per 100 for Canada as a whole. (78)

- (76) Ibid, p. 195
- (77) Ibid, p. 196-7
- (78) Ibid, p. 196

In the field of general finance "the generally less prosperous condition of the Maritime Provinces is reflected in the statistics of public finance." (79)

"Per capita revenues in the Maritimes -- are considerably below the average for other provinces."

The low taxable capacity of the Maritimes is evident in the sources of current revenues. For example, for all three Maritime Provinces the revenues from real and personal taxes and succession duties are considerably below the average of the other provinces. (80)

As the economy of the Maritimes has been geared to a considerable extent to substantial exportable surpluses to the United States, United Kingdom and West Indies, in addition to the Canadian markets, it is particularly vulnerable to the vicissitudes of international trade and political developments. While Canadian policy can have little effect on the emerging pattern of world trade, yet Canada can be considerably affected by political developments, decisions, indecisions and conflicts of each trading nation. We have seen our North Atlantic Triangle of trade (U.S.-Canada-U.K.) weakened materially since the end of the war, necessitating recourse to temporary expedients of pump-priming through loans and gifts to the United Kingdom to maintain this essential foundation to international trade. We have seen the implementation of the austerity program in an endeavour to keep in trim our

(79) Ibid p. 198

(80) D.B.S. Study "The Maritime Provinces in Their

Relation to the National Economy of Canada, pp.202, 203, 204, 205, 206, 207.

trading position with the United States and to encourage imports from other countries. We have seen also a drop in exports to ERP countries, other than foods and basic materials (except lumber), reflecting changes in import policies of the foreign governments concerned, which deficit, however, was compensated somewhat by an increase in the value of the imports from the sterling area and other ERP countries; and of more local significance in its influence and effects, we have seen the loss of the U.K. apple market which has necessitated the establishment of transitional Government assistance --

THE CHAIRMAN: Which government?

THE WITNESS: The Dominion government. As a matter of fact, Mr. Chairman, there is no agreement consummated as yet for this coming year.

The drop in the U.K. market for Maritime lumber stemming from Britain's purchases from European economic recovery program; the indirect effects of U.S. floor prices on potatoes and the over-supply situation in that country, which has resulted in an embargo on Canadian table-stock potatoes and influenced the establishment of floor prices on Maritime potatoes; the incidence of shortages of "hard currency" in Latin American countries impeding an extension of Maritime trade with those countries; the diversion of Maritime iron and steel products from available export markets in order to supply competitive plants with primary products to match Canada's increased demand for secondary and tertiary steel commodities. Moreover, the prevalent pressure from the U.S. fishing industry (81) Annual Report Foreign Exchange Control Board for the year 1948, pp. 15 and 17.

for additional import restrictions on certain types of fish from Canada gives rise to some concern in the Maritime Provinces.

These developments of international purport, with their adverse effects on the Maritime economy were paralleled internally by rail rate increases which, (82) while presently worsening the economic position of the Maritimes on the basis applied and currently proposed, will be accentuated more definitely and restrictively upon small-scale and marginal Maritime industries when existent buoyant conditions recede and become more stabilized.

Since Canada can exert only very limited influence over world trade policies, and since the economy of the Maritimes has already experienced adjustments and curtailments stemming from decisions of other trading nations and restrictions associated with the maintenance of foreign exchange balances, it therefore becomes of paramount importance to the economy of the Maritimes that national policies be directed in every way possible to improving, rather than worsening, its economic position.

The economic history of the Maritimes dictates that rate adjustments which tend to be restrictive and shrink the competitive distributing area of Maritime production, or depress further the relative standard of living in these provinces, must be avoided if possible or, if adjustments are necessary, be balanced in the process.

2. Historical Aspects of Freight Rates in Relation to the Maritime Provinces.

(a) General.

The rate structure that exists in Canada has evolved

(82) International and export and import rail rates related to U.S. rail rates were also increased by various amounts.

from simple manuscript tariffs and rate sheets, of which evidently there exists no record, to a multiplicity of so-called class and commodity tariffs. It appears that the oldest printed freight tariff is that of the Grand Trunk Railway of June, 1874. This book tariff contained four classes which can be taken as the genesis of the Canadian Freight Classification, which is basic to the Canadian freight structure. Generally, the rates contained in existing freight tariffs are not the heterogeneous conglomeration which the uninitiated might assume.

Rate making is not an exact science. As a price for service changes take place daily within the structure, influenced principally by new traffic conditions, industrial developments, and competition. Since the commencement of railways in Canada there have existed transportation problems related to a considerable degree to national policies and such geographical characteristics as topography, climate, and water routes.

The establishment of individual rates might involve in some instances a degree of trading but the railways, in reaching a decision, evidently take into consideration, (83) amongst other things, what the traffic will bear, the cost of service, the value of the service, competition of other carriers, the relationship of a particular rate to others within the structure, the possible effect of an otherwise justifiable rate reduction between two points upon the total system revenue if pressure might necessitate an extension of corresponding adjustments to a larger volume

(83) Value of commodity, nature of commodity, risk in Handling, length of haul, size and density of commodity, whether commodity requires extra service, loading, package and protection of commodity, prospects of return traffic etc.

of traffic, and the requirements of the Railway Act or other controlling legislation.

Classification is fundamental to rate making. It is simply a grouping into a limited number of classes of all the commodities that may be tendered for transportation.

The Intercolonial, when completed in 1876, evidently adopted as the basis for its classifications the four ratings as contained in the Grand Trunk Rate Book of 1874. However, some of the Intercolonial ratings were lower, reflecting Government policy in connection with the rate structure on the Intercolonial. ⁽⁸⁴⁾ As other railroads opened for operation during this period it soon became apparent that a joint classification was necessary. Pursuant to a study of the situation by representatives of interested railroads the first joint classification was issued, effective on January 1st, 1884. The new publication contained ten classes instead of four which generally had prevailed. It was immediately adopted ⁽⁸⁵⁾ by the Intercolonial on "through Canadian traffic".

(84) Study of R.A.C. Henry and Associates for Sirois Commission, p. 78.

(85) The joint classification was complemented by the issuance of a tariff of standard mileage rates in Quebec and Ontario on the same date. This tariff constituted a compromise of rates that had been assessed by the different railways that were parties to the new scale. See publication "History of Freight Rates in the Provinces of Ontario and Quebec - Grand Trunk Railway System" published October 1st, 1912, -----

I have a copy of this available, Mr.Chairman; it is on my own historical file. I gathered from the libraries that the railways may have a copy available -- no doubt they have -- but if you would like to have a copy for your studies I could lend you ours, subject to return at due date.

(footnote 85 continues):

---The following statement on page 2 of this publication is also worthy of note: "At the time of the establishment of this basis, low as it was, it was a matter of past experience that it would have been too high to enable traffic to move freely by rail from Montreal in competition with water routes via the St.Lawrence River, Lake Ontario, etc., and with direct importations via Atlantic seaboard ports; consequently, in order to secure a reasonable share of the traffic..." and "to protect Montreal merchants and manufacturers, special tariffs, class and commodity, were published from Montreal on still lower figures." Reference is also made in the same publication to special class rates lower than the compromise scale which rates later became known as "Town Tariffs".

However, it was not until December 3rd, 1889, that the Intercolonial applied the uniform classification locally. Adjustments necessary to meet special local conditions or to comply with government policy were accomplished by substituting individual rates or groups of rates for lower classifications. The rates which make up the present structure consist of standard class, special class, commodity (including mileage, special point to point tolls, competitive and otherwise), agreed charges as authorized under Part 5 of the Transport Act, and so-called statutory rates provided by the Maritime Freight Rates Act (including the

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different types of rates designated) and sub-section 5 of Section 325 of the Railway Act. Standard class and agreed charges require specific approval of the Board of Transport Commissioners. All other rates published by the carriers are merely filed with the Board. The jurisdiction of the Board in the matter of those rates is principally circumscribed within considerations respecting reasonableness and discrimination. The Board does not initiate rates but, on its own motion or on complaint, can require the carriers to change rates which are unlawful, unjustly discriminatory and/or unreasonable. Rates that have been prescribed by the Board cannot be increased unless it is indicated to the Board's satisfaction that the rates had become unreasonable, unjustly discriminatory, or both. Nor can rates established under the Maritime Freight Rates Act be increased without compliance with the Act.

(b) Before the Maritime Freight Rates Act.

The primary purpose of this section is not to present minutiae of freight rate data, but rather to emphasize from authoritative sources the following:

1. The freight rate structure in the Maritimes had as its basis the rates of the Intercolonial Railway, which in turn were predicated on national policy and competition.
2. Before the Board of Railway Commissioners was established in 1904 the rates on the Intercolonial were partly influenced by the rate policies of other railroads, particularly in respect of traffic between Intercolonial points and stations west of Montreal, P.Q.

"3. Government policy, as reflected in the rate structure, appears to have been reasonably maintained until about 1912.

4. Between 1912 and 1924, in addition to reflecting general increases and decreases as prescribed by the Board of Railway Commissioners, the Maritime rate structure was subjected to a "levelling-up" process so that basically it became equalized, to a considerable extent, with the Central Quebec-Ontario structure.

While the Intercolonial, in its first published tariff of 1876, adopted the pattern of the Grand Trunk Rate Book the rates, and even some of the classifications, were lower.⁽⁸⁶⁾

As the present Canadian rate structure evolved the Intercolonial reflected the same pattern, although the rates continued to be generally lower until the policy inherent in the Intercolonial was altered 'during the "levelling-up" period (1912-'24). Even in the early years of the Intercolonial the influence of the rate policies of connecting railroads, particularly on through traffic, is evident from the joint Canadian Mileage Freight Tariff of January 1st, 1884, which contains these statements:

(86) Study prepared for Sirois Commission, R.A.C. Henry and Associates, pp. 78 and 84.

(87) History of Freight Rates in the Provinces of Ontario

*See
next
page*

and Quebec, publication of Grand Trunk Railway System, dated October 1st, 1912, p. 6. Note - as stated previously it was not until December 3, 1889 that the Intercolonial adopted the Joint Canadian Classification for local application in conjunction with a standard Mileage Scale lower than the Quebec-Ontario Standard Basis.

"Adopted by Intercolonial Railway (Through Canadian Traffic)", and "Subject to the Canadian Joint Freight Classification of January 1st, 1884." (87)

The general impression has existed that the short short-line mileage of the Canadian Pacific Railway between Saint John, N.B. and the Central Provinces is the foundation stone of the rate structure between the Maritimes and other parts of Canada -- an impression which undoubtedly had its genesis in an examination only of the rate structure that has evolved in recent years. This is understandable when it is remembered that the C.P.R., unlike the Intercolonial until 1923, has been subject to the jurisdiction of the Board of Railway Commissioners since 1904. Before 1923, the Board's considerations of rate adjustments involving traffic to and from the Maritimes could only be based directly on the regulated C.P.R. with its short-line mileage, although indirectly the low rate requirement of the Intercolonial continued to exert a mollifying influence despite the levelling-up process. As the rates of the Intercolonial were gradually increased to relate to the Central Quebec-Ontario rates, the C.P.R. mileage subsequently emerged as a basis in the Board's considerations of the inter-territorial structure.

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The C.P.R. to Saint John was not completed until 1890, fourteen years after the Intercolonial Railway began operations. If the short line railway were the cornerstone of the rate structure between the Maritimes and the Central Provinces one would have expected substantial reductions in rates when the line was opened to Saint John. However, available records do not indicate that such was the case. The C.P.R. appears to have adopted the rates then in force on the Intercolonial and its connections between the Maritimes and the Central Provinces. This fact is illustrated in the subjoined table of first class rates between Saint John, N.B., and Toronto, Ont.

TABLE 7 (88)

FIRST CLASS - RATES IN CENTS PER 100 LBS

	<u>Westbound</u>	<u>Eastbound</u>
December 13, 1882	80	90
February 2, 1885	72	90
September 1, 1890	72	84
November 2, 1890	72	84
June 22, 1891	72	80
November 2, 1891	72	80
April 29 1896	60	80
May 14 1900	64	70

Incidentally, I might direct attention to the fact that the westbound rates are lower in those years as stated there, than the eastbound rates.

The compelling influence of the necessary

(88) Source, Canadian National Railways, based on historical records.

rate structure of the Intercolonial on the short line was recognized by the Board of Railway Commissioners in a number of its judgments. For example, in the Western Rate Case the Board, in referring to the revenue of the C.P.R. in the Atlantic Division, stated:

"The rates in the Maritime Provinces are low, not only as a result of water competition, but also as a result of rates obtaining on the Intercolonial, whose operations have largely resulted in deficits." (89)

THE CHAIRMAN: Q. Pardon me; what year was the western rate case?

A 1914, if my memory serves me correctly, sir.

Reference may also be had to the judgment of the Board of Railway Commissioners in 1916 in the so-called Eastern Rate Case, where one finds the following significant statement respecting low rates on lumber:

"But it is certain that the Intercolonial was constrained to arrange these rates in order to get its lumber traffic into Ontario at all." (90)

In the latter case the Board, in its considerations of proposed increases, (91) reviewed the through rate

(89) 17 C.R.C., p. 123 at pp. 163 and 164.

(90) VI J.O.R. & R., p. 133 at p. 207.

(91) An increase of 4 cents per 100 lbs., 1st class (with appropriate scaling for other classes) was authorized between Saint John and Montreal (including related territory) and an increase of 6 cents per 100 lbs. 1st class was prescribed by the Board between Saint John and Toronto (including related territory). The railways had asked for 4 cents and 10 cents respectively. VI J.O.R. & R., pp. 160, 161, 162, 163.

structure between the Maritimes and the Central Provinces. Nowhere is it stated that the short line mileage of the C.P.R. was controlling. The only reference to the influence of short line mileage was to the National Transcontinental in holding down C.P.R. rates in northern New Brunswick to the Saint John level. Indeed, in a further review of the through rate structure between the Maritimes and stations west of Montreal in the 1922 Reductions Case, the Board observed that:

"Following the opening of the all-rail route, the rates between Maritime Province points and territory west of Montreal were constructed by the addition to the Montreal rate of a scale of arbitraries.

"This system of rate making between the territories in question was in effect long before the creation of the Board and has since been carefully considered, particularly in the Eastern Rates Case in 1916; it is an integral part of the whole class rate structure in Eastern Canada and could not be changed without involving disturbance of the entire rate fabric in this territory." (92)

In the 1922 Case, however, mileage of the C.P.R. was used to determine the adjustment prescribed by the Board between the Maritimes and Western Canada. For that matter, the short line mileage of the unregulated N.T.R. could also have been used from N.B. points along the Saint John Valley to obtain almost the same result.

THE CHAIRMAN: Q. What is the N.T.R.?

A The National Transcontinental line from Moncton to Diamond Junction.

MR. FRAWLEY: Q. Moncton to Diamond Junction?

A That is right. That is in so far as the Eastern Lines are concerned. That is what I have reference to.

The Board pointed out that its jurisdiction did not apply over the Intercolonial or the N.T.R., and if the principle based on the C.P.R. mileage were adopted on those roads "Moncton would naturally take the same arbitrary over Quebec rates as Saint John, N.B., takes over Montreal rates."⁽⁹³⁾ While the Board in this decision does make specific reference to the "advantage of the short line constructive mileage" of the C.P.R. it could only have reference to the principle incidental to the arbitraries relating to Western Canadian points which were the only ones subject to adjustment, and which, on the basis of the C.P.R. mileage, were found to be out of line with the arbitraries between Central and Western Canada.

In the other general rate cases considered by the Board between 1916 and 1922 Maritime rates were generally considered "en masse." The adjustments prescribed by the Board in the period 1916 to 1922 inclusive were adopted as if the operation of the Intercolonial and the other Canadian Government Railways were directly subject to the Board's jurisdiction. The Intercolonial, to all intents and purposes, was gradually being commercialized in furtherance of the policy instituted in 1912.

(93) XII J.O.R. & R., p. 70.

It is patent from the adjustments effected by the Intercolonial in the period 1912 to 1922 inclusive, on its own motion or in conformity with orders of the Board of Railway Commissioners concerning regulated railroads, why there developed a misconception regarding the basic influence of the short line mileage of the C.P.R. on through rates between the Maritimes and the Central Provinces, and why the short line mileage came to be treated as an important factor

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in the Maritime rate structure. The more compelling influence of the conditions inherent in the construction and operation of the Intercolonial was either overlooked or ignored completely. The change in policy of the Intercolonial Railway, and its adoption of rate changes authorized by the Board of Railway Commissioners in the period 1912 to 1922 inclusive are revealed in the subjoined table of adjustments effected in the first class rates from Saint John, N.B., to Montreal, P.Q.:

(94)

TABLE 8

FIRST CLASS RATES IN CENTS PER 100 LBS.
SAINT JOHN, N.B., TO MONTREAL, P.Q.

<u>Date</u>	<u>Rate</u>	<u>% Incr. or Decr.</u>	<u>% 1912 Rates</u>	<u>Basis for Adjustment</u>
May 14, 1912	48		100	
May 15, 1912	54	/12.5	112.5	Commercializing operation.
Dec. 1, 1916	58	/ 7.4	120.8	Eastern Rates Case - Board's General Order 167.
Mar. 15, 1918	66½	/14.6	138.5	15% Case. Board's General Orders 212 and 213.
Aug. 12, 1918	83	/24.8	172.9	25% Case. Order in Council P.C. 1863, July 27, 1918.
Sept. 13, 1920	116	/39.7	241.7	40% Case. Board's General Order 308.
Jan. 1, 1921	112	- 3.5	233.3	Reduction to 35% over Sept. 12, 1920. Board's General Order 308.
Dec. 1, 1921	104	- 7.1	216.6	Reduction to 25% over Sept. 12, 1920. Board's General Order 350.

(94) Judgments are contained in the Board's Judgments, Orders, Rulings and Regulations as follows: Eastern Rates Case - VI J.O.R.&R., p. 133; 15% Case - VII J.O.R.&R., p. 411; 25% case - VIII J.O.R.&R., p. 277; 40% Case - X J.O.R.&R. p. 283; 1921 Reductions; 1922 Reductions - XI J.O.R.&R. p. 61.

MR. FRAWLEY: Q. What do you mean by the expression, "Commercializing operation"?

A It was on a paying basis. It was not to be operated in connection with the national policy. In other words, it was to be operated as if it was a private company, and so on.

MR. O'DONNELL: That is your conclusion.

THE CHAIRMAN: Q. You say the commercialization of the system began in 1912?

A That is right, sir.

Q From that time on the attempt was to make it pay its way?

A That is the answer.

MR. O'DONNELL: That is your conclusion?

THE WITNESS: That is my conclusion.

THE CHAIRMAN: I think this would be an appropriate place to adjourn. Before we adjourn, Mr. Covert, we have here the preamble to the Maritime Freight Rates Act. I take it that is a matter of some importance. I should like to see this put in some place where it will be easily found.

MR. COVERT: We can put it in as an exhibit. I think that is probably as good a place as any to put it in. It will be Exhibit 46.

EXHIBIT No. 46: Preamble to Maritime Freight Rates Act as originally passed.

THE CHAIRMAN: We will adjourn until 10.30 tomorrow morning.

---The Commission adjourned at 4.40 p.m. to resume on Wednesday, July 13, 1949, at 10.30 a.m.

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